Executive Summary

of Investment Performance

Prepared for:
California Public Employees' Retirement System

California Affiliate

- **Judges II**
- **Long Term Care**
- **Volunteer Firefighters**
- **Deferred Compensation Plan**

California Legislators'

California Supplemental Income Plans

First Quarter 2007

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Capital Market Overview

- The broad US market was up but investors were cautious due to events such as a slowdown in economic growth combined with lackluster labor growth, a softening residential real estate market, a rise in home mortgage default rates (especially in the subprime loan sector), and continuing unstable crude oil prices. In addition, many investors anticipated that the Federal Reserve would drop the overnight Fed Funds Rate in the 1st quarter to spur economic growth, but the Fed chose to keep rates at 5.25%. The Dow Jones Wilshire 5000 Index and Standard & Poor's 500 Index returned 1.4% and 0.7%, respectively as small-cap stocks handily outdistanced large cap issues (DJW Large Cap, 1.1%; DJW Small Cap, 3.8%; DJW Micro Cap, 1.6%). Additionally, growth stocks outperformed value-oriented ones (DJW Large Growth, 1.3%, Large Value, 0.9%; DJW Small Growth, 4.7%, Small Value, 3.1%). When looking at the DJ Wilshire GICS sectors, Materials was the top performing sector at 10.1%, while Financials was the worst performing at -2.4%.

- Global stock markets managed to outperform US stocks, both in local currency terms and in US dollar terms. In the developed equity markets, European stocks and Pacific Region stocks ended the quarter, after considerable swings in valuation, with identical performance in local currency terms (MSCI Europe, 3.4%; MSCI Pacific, 3.4%). However in USD terms, the Pacific region currencies significantly appreciated against the US dollar, resulting in the Pacific region outperforming their European counterparts in US dollar terms (MSCI Europe, 3.9%; MSCI Pacific, 4.6%). Emerging stock markets underperformed against developed non-US stocks in local and US dollar terms (MSCI EAFE, 3.3% local, 4.1% USD; MSCI Emerging Markets, 2.2% local, 2.3% USD).

- Treasury yields initially rose in January before falling as investors became more risk averse and purchased Treasury paper. The Fed decided to keep the Fed Funds rate at 5.25%. The Lehman Aggregate ended the quarter up by 1.5%. In the Credit sector, option-adjusted spreads to Treasuries widened slightly in the face of slower economic growth and inflation fears (Lehman Credit, 1.5%; Lehman Government, 1.5%). Mortgage-backed securities slightly outperformed the other investment-grade bond sectors, despite the turmoil in the subprime home loan markets (Lehman Mortgage, 1.6%). High yield fixed income, for yet another quarter, managed to outperform investment-grade paper as a whole (Lehman High Yield, 2.7%; Lehman Aggregate, 1.5%). International bond markets slightly lagged the U.S. bond market as the Citigroup Non-US Government Bond Index generated a return of 1.1% during the quarter.

- The public real estate securities market, as represented by the Dow Jones Wilshire Real Estate Securities Index ("DJWRESI"), was up during the first quarter with a 3.7% gain. Even with stock indices increasing, the real estate securities asset class is still the best performing asset class on a 1-year basis, returning 22.0%. The NCREIF Property Index reported a return of 3.6%, reflecting the fact that the index is measured on an appraised basis and therefore lags public market returns.

Summary of Index Returns

For Periods Ended March 31, 2007

	Quarter	One Year	Three Years	Five Years	Ten Years
Domestic Equity					
Standard & Poor's 500	0.65	11.86	10.05%	6.26%	8.21
Dow Jones Wilshire 5000	1.40	11.33	11.04	7.71	8.73
Dow Jones Wilshire 4500	4.09	9.55	13.78	12.61	10.52
Dow Jones Wilshire Large Cap	1.07	12.04	10.79	6.99	8.45
Dow Jones Wilshire Small Cap	3.81	7.80	13.58	12.81	11.76
Dow Jones Wilshire Micro Cap	1.59	2.48	8.75	17.27	14.77
Domestic Equity					
Dow Jones Wilshire Large Value	0.93%	17.17%	13.13%	9.26%	10.28%
Dow Jones Wilshire Large Growth	1.26	6.76	8.31	4.73	6.21
Dow Jones Wilshire Mid Value	5.18	12.93	12.78	11.40	13.44
Dow Jones Wilshire Mid Growth	5.09	7.10	15.38	12.10	8.76
Dow Jones Wilshire Small Value	2.96	10.94	13.61	13.99	13.95
Dow Jones Wilshire Small Growth	4.68	4.54	13.48	11.44	8.68
International Equity					
MSCI All World ex U.S.	3.83%	20.28%	21.42%	17.37%	9.02%
MSCI EAFE	4.07	20.19	19.82	15.78	8.30
MSCI Europe	3.86	25.38	22.11	15.77	10.36
MSCI Pacific	4.56	9.95	14.94	16.04	4.75
MSCI EMF Index	2.35	21.03	27.97	24.84	8.77
Domestic Fixed Income					
Lehman Aggregate Bond	1.50%	6.58%	3.31%	5.35%	6.46%
Lehman Credit	1.51	7.09	3.22	6.27	6.83
Lehman Mortgage	1.55	6.93	4.05	4.96	6.31
Lehman Treasury	1.45	5.88	2.59	5.12	6.21
Citigroup High Yield Cash Pay	2.42	11.32	8.22	10.14	7.12
91-Day Treasury Bill	1.24	5.02	3.39	2.58	3.79
International Fixed Income					
Citigroup World Gov. Bond	1.15%	7.78%	2.69%	9.02%	5.81%
Citigroup Non-U.S. Gov. Bond	1.09	8.32	2.71	10.15	5.44
Citigroup Hedged Non-U.S. Gov.	0.92	5.02	4.39	4.80	6.27
Currency*					
Euro vs. $	0.95%	10.00%	2.70%	8.82%	-.-%
Yen vs. $	0.91	-0.07	-4.13	2.34	0.48
Pound vs. $	0.21	13.08	2.19	6.61	1.79
Real Estate					
Dow Jones Wilshire REIT Index	3.74%	21.83%	24.02%	22.72%	15.57%
Dow Jones Wilshire RESI	3.72	21.97	24.42	22.75	15.23
NCREIF Property Index	3.62	16.59	17.42	13.73	12.86

*Positive values indicate dollar depreciation.

Summary Review of Plans

	Market Value	Qtr	1 Year	3 Year	5 Year	10 Year
TOTAL FUND for PERF	**$234.8 bil**	**2.4%**	**12.8%**	**12.6%**	**10.4%**	**9.5%**
Total Fund Policy Index		2.3%	12.6%	11.7%	9.7%	8.9%
Actuarial Rate		1.9%	7.8%	7.8%	7.9%	8.1%
TUCS Public Fund Median		2.0%	10.3%	10.1%	8.8%	8.6%
Wilshire Large Fund Universe Median [1]		2.2%	11.7%	11.2%	9.4%	8.8%
Affiliate Fund						
Judges II	**$250.0 mil**	**2.0%**	**12.5%**	**10.7%**	**8.8%**	**8.3%**
Weighted Policy Benchmark		1.9%	12.6%	10.2%	8.7%	8.3%
Long Term Care ("LTC")	**$2,120.9 mil**	**2.0%**	**11.8%**	**9.8%**	**8.1%**	**8.4%**
Weighted Policy Benchmark		1.9%	11.7%	9.2%	7.9%	8.3%
Volunteer Firefighters ("VFF")	**$3.5 mil**	**2.2%**	**12.2%**	**11.4%**	**8.3%**	**9.1%**
Weighted Policy Benchmark		2.2%	12.4%	10.7%	8.1%	8.9%
TUCS Public Fund Median		2.0%	10.3%	10.1%	8.8%	8.6%
Legislators' Fund						
LRS	**$141.4 mil**	**1.6%**	**9.6%**	**7.4%**	**7.1%**	**8.4%**
Weighted Policy Benchmark		1.5%	9.5%	7.3%	7.7%	8.6%
TUCS Public Fund Median		2.0%	10.3%	10.1%	8.8%	8.6%
Supplemental Income Plans	**$22.4 mil**	**1.5%**	**11.6%**	**10.1%**	**7.8%**	**-.-%**
TUCS Public Fund Median		2.0%	10.3%	10.1%	8.8%	8.6%

[1] The Total Fund Policy Index return equals the return for each asset class benchmark weighted at the current target asset allocation.

PERF Information

Total Fund Review PERF

Periods Ended 3/31/2007

	Market Value	Qtr	1 Year	3 Year	5 Year	10 Year	VaR[13]	PAR[14]	5-year Info Ratio[15]
TOTAL FUND	**$234.8 bil**	**2.4%**	**12.8%**	**12.6%**	**10.4%**	**9.5%**	**$18.5 bil**	**1.1%**	**0.9**
Total Fund Policy Index [2]		2.3%	12.6%	11.7%	9.7%	8.9%			
Actuarial Rate		1.9%	7.8%	7.8%	7.9%	8.1%			
TUCS Public Fund Median		2.0%	10.3%	10.1%	8.8%	8.6%			
Wilshire Large Fund Universe Median [3]		2.2%	11.7%	11.2%	9.4%	8.8%			
TOTAL GLOBAL EQUITY EX-AIM [4]	**145.2**	**2.4%**	**13.6%**	**14.6%**	**10.8%**	**9.5%**	**$25.6 bil**	**0.4%**	**1.0**
Equity Policy Index [5]		2.2%	13.9%	14.0%	10.4%	8.8%			
TUCS Equity Median [6]		1.7%	9.8%	11.3%	8.7%	10.1%			
TOTAL FIXED INCOME [7]	**54.9**	**1.6%**	**7.8%**	**4.6%**	**7.8%**	**7.5%**	**$944 mil**	**0.8%**	**0.3**
Fixed Income Policy Index [8]		1.4%	7.3%	3.8%	7.2%	7.1%			
TUCS Fixed Income Median		1.6%	6.6%	3.6%	5.7%	6.7%			
TOTAL REAL ESTATE [9]	**19.5**	**4.2%**	**20.8%**	**26.7%**	**19.2%**	**15.6%**	**$569 mil**	**0.7%**	**1.1**
NCREIF Property Index Lagged		4.5%	16.6%	17.0%	13.3%	12.7%			
TUCS Real Estate Median		3.7%	16.2%	18.3%	14.5%	13.1%			
TOTAL AIM PROGRAM	**13.6**	**4.4%**	**20.0%**	**21.3%**	**10.7%**	**-.-%**	**$129 mil**	**0.7%**	**0.7**
Policy Index [10]		4.1%	17.4%	17.1%	5.5%	-.-%			
CASH EQUITIZATION PROGRAM [11]	**1.5**	**0.9%**	4.9%	3.5%	2.8%	4.2%			
Custom STIF [12]		1.3%	5.3%	3.5%	2.6%	3.9%			

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2 The Total Fund Policy Index return equals the return for each asset class benchmark weighted at the current target asset allocations.
3 These returns represent preliminary numbers.
4 Includes domestic equity, international equity, corporate governance, and MDP ventures.
5 The Equity Policy Index return equals the benchmark returns for the domestic equity and international equity segments weighted at policy allocation target percentages.
6 Includes domestic and international equity.
7 The Total Fixed Income Composite does not include LM Capital. LM Capital has been mapped to the domestic equity composite, effective 1Q2005, per CalPERS' direction.
8 The Fixed Income Policy Index return equals the benchmark returns for domestic and international fixed income components weighted at policy allocation target percentages.
9 Real estate total returns are net of investment management fees and all expenses, including property level operations expenses netted from property income. This method differs from GASB 31, which requires all investment expenses be identified for inclusion in the System's general purpose financial statements.
10 The AIM Policy Index consists of the Custom Young Fund Universe and is linked historically to its prior benchmark.
11 Cash is equitized using equity index futures in proportion to the Total Equity Policy Weights.
12 The Custom STIF Policy Index is a custom index maintained by SSgA.
13 VAR (Value at Risk) measures how much the portfolio might decrease over a 12 month period in extreme cases. The VAR estimate shows how much the portfolio value might fall in the worst 5% of 12 month periods. VAR is calculated using total risk (standard deviation) and market value ((Expected Return –(1.65 X SD)) X MV).
14 PAR (Performance at Risk) measures how much the portfolio might underperform its benchmark over a 12 month period in extreme cases. This PAR shows how much the portfolio might underperform in the worst 5% of 12 month periods. PAR is calculated using excess risk (tracking error) and market value (1.65 X TE X MV)
15 The "Information Ratio" calculates the amount of excess performance earned per unit of excess risk, as measured by tracking error. Higher information ratios imply a greater return per risk ventured.

Total Fund Review for PERF (continued)

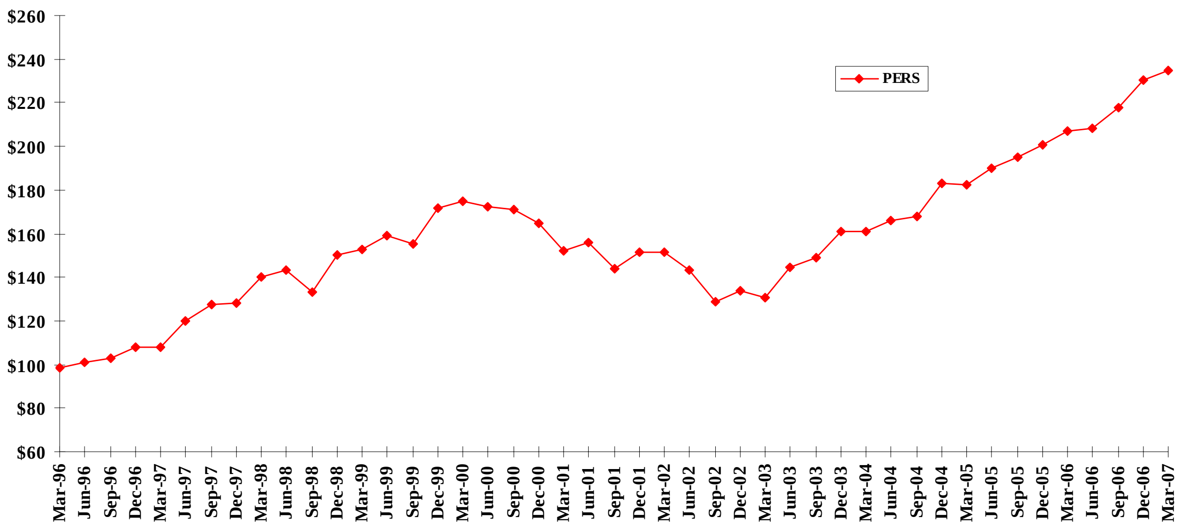
Periods Ended 3/31/07

Total Fund Flow

($Millions)	Beg. Mkt Value	Net Cash Flow	Invest. Mgmt Fees	Invest. Gain/Loss	End. Mkt Value	Total Return
1Q2007	230,307	(345)	(119)	4,994	234,837	2.4%

Historical Growth of Assets

	1999	2000	2001	2002	2003	2004	2005	1Q06	2Q06	3Q06	4Q06	1Q07
Market Value ($bil)	171.7	164.6	151.7	134.1	161.0	182.8	200.6	206.9	208.0	217.6	230.3	234.8



Asset Allocation

Asset Allocation: Actual versus Target Weights

Asset Class	Actual Asset Allocation Quarter Ending	Target Asset Allocation	Difference
Equities	61.9%	60.0%	+1.9
Fixed Income	23.4%	26.0%	-2.6
Real Estate	8.2%	8.0%	+0.2
AIM	5.8%	6.0%	-0.2
Cash Equivalents	0.7%	0.0%	+0.7

CalPERS Historical Asset Allocation

	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	1Q07
% Equity	62	66	69	70	64	63	57	63	63	62	63	62
% AIM	-	-	-	-	-	-	5	5	5	5	6	6
% Fixed Income	31	28	26	24	29	27	28	24	24	25	23	23
% Real Estate	6	5	4	5	6	9	9	7	6	5	8	8
% Cash	1	1	1	1	1	1	1	1	1	3	1	1

California Public Employees' Retirement System
Total Fund Attribution
Total Composite
Quarter Ended 3/31/07

Composite	Allocation			Returns			Total Fund Return Contribution				
	Policy (%)	Actual (%)	Difference (%)	Policy (%)	Actual (%)	Difference (%)	Actual Allocation (%)	Active Mgmt (%)	Activity (%)	Strategic Policy (%)	Weighted Return (%)
Total Equity ex-AIM	**60.0**	**63.2**	**3.2**	**2.2**	**2.4**	**0.2**	**0.0**	**0.2**	**0.0**	**1.3**	**1.5**
U.S. Equity	**38.8**	**38.4**	**-0.4**	**1.4**	**1.5**	**0.1**	**0.0**	**0.0**	**0.0**	**0.5**	**0.6**
Internal Passive (including DCF)	28.0	29.2	1.2	1.4	1.6	0.2	0.0	0.1	0.0	0.4	0.5
Internal Enhanced	2.0	2.1	0.1	1.4	1.6	0.2	0.0	0.0	0.0	0.0	0.0
External Enhanced	4.0	3.3	-0.7	0.9	1.1	0.2	0.0	0.0	0.0	0.0	0.0
Active	2.0	2.0	0.0	1.4	1.5	0.1	0.0	0.0	0.0	0.0	0.0
Corporate Governanace	2.0	1.0	-1.0	0.8	4.6	3.8	0.0	0.0	0.0	0.0	0.0
MDP	0.8	0.8	0.0	2.1	2.1	0.0	0.0	0.0	0.0	0.0	0.0
Non-U.S. Equity	**19.4**	**22.9**	**3.5**	**3.9**	**3.8**	**-0.1**	**0.1**	**0.0**	**0.1**	**0.8**	**0.9**
Passive	9.7	13.0	3.3	3.9	3.9	0.0	0.1	0.0	0.1	0.4	0.5
Enhanced	1.6	1.9	0.3	3.9	3.5	-0.4	0.0	0.0	0.0	0.1	0.1
Active	3.8	4.5	0.7	3.9	4.3	0.4	0.0	0.0	0.0	0.1	0.2
Emerging Markets	2.8	2.3	-0.5	3.7	3.7	0.0	0.0	0.0	0.0	0.1	0.1
Corporate Governanace	1.0	1.0	0.0	2.9	0.4	-2.5	0.0	0.0	0.0	0.0	0.0
MDP	0.4	0.2	-0.2	3.9	4.3	0.4	0.0	0.0	0.0	0.0	0.0
Currency Overlay	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
RM ARS	**2.0**	**1.9**	**-0.1**	2.5	3.5	1.0	0.0	0.0	0.0	0.1	0.1
Total Fixed Income	**26.0**	**23.1**	**-2.9**	**1.4**	**1.6**	**0.2**	**0.0**	**0.0**	**-0.1**	**0.4**	**0.4**
U.S. Fixed Income	**23.0**	**20.2**	**-2.8**	**1.5**	**1.7**	**0.2**	**0.0**	**0.0**	**-0.1**	**0.3**	**0.3**
Internal U.S. Bonds^	21.2	19.5	-1.7	1.5	1.6	0.1	0.0	0.0	0.0	0.3	0.3
Special Investments^	1.0	0.4	-0.6	1.5	1.4	-0.1	0.0	0.0	0.0	0.0	0.0
Opportunistic^	0.8	0.3	-0.5	2.8	5.5	2.7	0.0	0.0	0.0	0.0	0.0
Non-U.S. Fixed Income	**3.0**	**2.9**	**-0.1**	**1.0**	**1.1**	**0.1**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Commodities	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Real Estate	**8.0**	**7.5**	**-0.5**	**4.5**	**4.2**	**-0.3**	**0.0**	**0.0**	**0.0**	**0.4**	**0.3**
AIM Program	**6.0**	**5.6**	**-0.4**	**2.7**	**4.4**	**1.7**	**0.0**	**0.1**	**0.0**	**0.2**	**0.2**
Cash Equization	**0.0**	**0.6**	**0.6**	**1.3**	**0.9**	**-0.4**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Total Fund	**100.0**	**100.0**	**0.0**	**2.3**	**2.4**	**0.1**	**0.0**	**0.3**	**-0.2**	**2.3**	**2.4**

The Total Fund Attribution displays the return contribution of each asset class to the total fund using the allocation to each program at the beginning of the quarter and this quarter's returns to determine if tactical allocation and active management within asset classes helped or hurt performance

Total Fund Review for PERF (continued)

- The California Public Employees' Retirement System ("CalPERS, the System") generated a total fund return of 2.4%, for the quarter ended March 31, 2007. CalPERS' return can be attributed as follows:

+2.3%	Strategic Policy Allocation
+0.0%	Actual/Tactical Asset Allocation
-0.2%	Activity/Timing
+0.3%	Active Management
+2.4%	**Total Return**

- The total fund attribution table on the previous page displays the return contribution of each asset class to the total fund. This table will allow the Board to see if tactical allocation and active management within asset classes helped or hurt performance during the quarter.

  – Strategic Policy: The contribution to total return from each asset class, calculated as the percentage allocated to each asset class multiplied by the benchmark for that asset class.
  – Activity: The Activity contribution column is the difference between the "buy and hold" portfolio and the weighted return and would be caused by timing and size of cash flows (transfers, deposits, and withdrawals).
  – Actual Allocation: The return contribution during the quarter due to differences in the actual allocation from the policy allocation (i.e. the actual allocation to total equity was higher than the policy allocation). A positive number would indicate an overweight benefited performance and vice versa.
  – Active Management: The return contribution from active management. The number would be positive if the asset class outperformed the designated policy index and vice versa (i.e. the US fixed income segment outperformed its custom benchmark during the quarter and contributed positively to active management.
  – Actual Return: The actual return of the asset classes if allocations to them were static during the quarter. These returns will not match exactly with the actual segment returns since asset class allocations change during the quarter due to market movement, cash flows, etc.

- The Total Fund composite outperformed its strategic policy mainly due to the global equity segment as the international equity composite was above the total fund policy index. The System has beaten its weighted policy index and its actuarial rate of return for the 1-year, 3-year, 5-year, and 10-year periods.

Total Fund Review for PERF (continued)

Helped Performance:

- **International Equity Exposure:** The System's international equity program returned 3.8% and outperformed the policy index return for the quarter. International equities have also outperformed the total fund policy for the one, three, five and ten year periods.

- **Real Estate:** The System's real estate segment returned 4.2%, which outperformed the total fund policy's return. The program has produced stellar returns and has outperformed versus the total fund policy for all time periods.

- **AIM Program:** The alternative investment program outperformed the equity policy and continues to contribute favorably to the total fund policy for the one, three, and five year periods.

- **Corporate Governance:** The System's corporate governance program outperformed the total fund policy for the quarter. The corporate governance segment has produced favorable contributions to the total fund performance for the one, three, and five year time periods.

- **RM ARS Program:** The RM ARS Program outperformed the total fund policy and the US Equity segment for the quarter. The US equity segment was its funding source.

Impeded Performance:

- **U.S. Equity Exposure:** The System's U.S. equity asset class returned 1.5%, which lagged the total fund policy return.

- **U.S. Bond Exposure:** Bond markets saw positive returns as yields fell during the quarter as the Fed decided to hold interest rates steady. However, the US Bond segment lagged the total fund policy for the quarter.

- **International Fixed Income:** The international bond market produced a gain of 1.1% but lagged the total fund policy.

Total Equity Review for PERF

Periods Ended 3/31/07

Equity Allocation

Asset Allocation: Actual versus Target Weights

Asset Class	Actual Asset Allocation	Target Asset Allocation	Difference
US Equities	38.2	40.0%	-1.8
Non US Equities	23.7	20.0	+3.7

Equity Segment Performance

	Market Value	Qtr	1 Year	3 Year	5 Year	10 Year	VaR[23]	PAR[24]	5-year Info Ratio[25]
Total Global Equity ex-AIM[16]	**145.2**	**2.4%**	**13.6%**	**14.6%**	**10.8%**	**9.5%**	**$25.6 bil**	**0.4%**	**1.0**
Equity Policy Index [17]		2.2%	13.9%	14.0%	10.4%	8.8%			
Value Added		0.2%	-0.3%	0.6%	0.4%	0.7%			
US Equity Composite	**86.8**	**1.5%**	**11.0%**	**10.6%**	**7.3%**	**8.7%**	**$14.4 bil**	**0.1%**	**0.6**
PERS Wilshire 2500 Index		1.4%	10.8%	10.6%	7.2%	8.4%			
Value Added		0.1%	0.2%	0.0%	0.1%	0.3%			
Non-US Equity Composite	**48.7**	**3.8%**	**18.4%**	**20.9%**	**15.3%**	**9.0%**	**$10.1 bil**	**0.5%**	**-1.1**
PERS SSgA Custom Index [18]		3.9%	20.2%	21.1%	17.1%	7.7%			
Value Added		-0.1%	-1.8%	-0.2%	-1.8%	1.3%			
RM ARS Program	**4.9**	**3.5%**	**11.1%**	**10.3%**	**9.3%**	**-.-%**	**$ 11.9 mil**	**0.2%**	**0.3**
Policy Index [19]		2.5%	10.1%	8.1%	7.3%	-.-%			
Value Added		1.0%	1.0%	2.2%	2.0%	-.-%			
Corporate Governance	**4.9**	**2.7%**	**13.7%**	**16.0%**	**14.6%**	**-.-%**			
Policy Index [20]		1.7%	9.5%	14.2%	10.9%	-.-%			
Value Added		1.0%	4.2%	1.8%	3.7%	-.-%			
Total Global Equity ex-AIM & ex-Currency overlay[21]	**145.3**	**2.4%**	**14.0%**	**14.3%**	**10.6%**	-.-%			
Equity Policy Index [22]		2.2%	13.9%	14.0%	10.4%	-.-%			
Value Added		0.2%	0.1%	0.3%	0.2%	-.-%			

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[16] Includes domestic equity, international equity, corporate governance, currency overlay, and the RM ARS program. The composites do not add up due to the following accounts being included in the Total Global Equity Ex- Aim and not in the underlying composites: LM Capital, Internal Domestic and International Equity Transition accounts. In addition, there may be rounding differences.

[17] The Equity Policy Index return equals the benchmark returns for the domestic equity and international equity segments weighted at policy allocation target percentages.

[18] The PERS SSgA Custom Index currently represents the FTSE All World ex US Index. This Index is linked historically to its prior benchmarks.

[19] The RM ARS Policy consists of the Merrill Lynch 1-Year Treasury Note +5% and is linked historically to its prior benchmark.

[20] The Corporate Governance Index return equals the return for each manager's benchmark weighted at the current target asset allocation.

[21] Includes domestic equity, international equity, corporate governance, and the RM ARS program.

[22] The Equity Policy Index return equals the benchmark returns for the domestic equity and international equity segments weighted at policy allocation target percentages.

[23] VAR (Value at Risk) measures how much the portfolio might decrease over a 12 month period in extreme cases. The VAR estimate shows how much the portfolio value might fall in the worst 5% of 12 month periods. VAR is calculated using total risk (standard deviation) and market value ((Expected Return –(1.65 X SD)) X MV).

[24] PAR (Performance at Risk) measures how much the portfolio might underperform its benchmark over a 12 month period in extreme cases. This PAR shows how much the portfolio might underperform in the worst 5% of 12 month periods. PAR is calculated using excess risk (tracking error) and market value (1.65 X TE X MV)

[25] The "Information Ratio" calculates the amount of excess performance earned per unit of excess risk, as measured by tracking error. Higher information ratios imply a greater return per risk ventured.

Total Equity Review for PERF (continued)

Comments Regarding Recent Equity Segment Performance

Helped Performance:

- **International Equity Exposure:** The System's international equity managers outperformed the equity policy and the total fund policy benchmark this quarter. The segment has added value since inception.
- **Internal International Equity Index:** The System's internally managed international equity index outperformed the equity policy index over the quarter but met its specific portfolio objective. The index has added value over longer periods.
- **Emerging Markets Exposure:** The System's emerging market managers outperformed the equity policy index. The emerging markets segment outpaced the total equity return over all other longer periods.
- **Corporate Governance:** The corporate governance program outperformed the total equity policy index for the quarter, and the three and five year time periods. It has also outperformed the domestic equity policy index over the one, three and five year time periods.
- **RM ARS Program:** The System's RM ARS program outperformed the equity policy index for the quarter.
- **International Equity MDP:** The international equity MDP program outperformed versus the total equity policy this quarter, and has added value over longer periods.
- **International Environmental Program:** The international environmental program outperformed the total equity policy this quarter.

Impeded Performance:

- **Internal PERS 2500:** The System's internal PERS 2500 index fund lagged the equity policy index. The fund's performance matched that of its custom benchmark which is consistent with its objective.
- **Dynamic Completion Fund (DCF):** The DCF portfolio lagged the equity policy return for the quarter and has underperformed over all time periods.
- **Domestic Equity MDP:** The System's domestic MDP program lagged the total equity policy.
- **Environmental Domestic Equity:** The environmental domestic equity lagged the total equity policy for the quarter.
- **Domestic Internal Micro-Cap Exposure:** The internal micro-cap portfolio lagged the equity policy index over the quarter but beat the domestic equity policy.

Total Equity Review for PERF - U.S. Equity Manager Performance

	Market Value	Qtr	1 Year	3 Year	5 Year	Incept.	Date
US Equity Composite[26]	**86.8**	**1.5%**	**11.0%**	**10.6%**	**7.3%**	**13.0%**	**12/79**
PERS Wilshire 2500 Index		1.4%	10.8%	10.6%	7.2%		
Value Added		0.1%	0.2%	0.0%	0.1%		
Total Internal Equity[26]	**72.3**	**1.6%**	**11.0%**	**10.6%**	**7.3%**	**11.5%**	**6/88**
Internal PERS 2500	60.8	1.5%	11.0%	10.7%	7.4%	10.7%	12/91
PERS Wilshire 2500		1.4%	10.8%	10.6%	7.2%	10.5%	
Tracking Error		0.1%	0.2%	0.1%	0.2%	0.2%	
Dynamic Completion Fund (DCF)	4.6	1.6%	10.6%	9.4%	5.6%	5.7%	9/98
Custom Benchmark		1.0%	10.0%	9.3%	5.3%	5.1%	
Tracking Error		0.6%	0.6%	0.1%	0.3%	0.6%	
Domestic Enhanced Index Strategy	4.9	1.6%	11.4%	12.9%	9.0%	7.8%	3/01
PERS Wilshire 2500		1.4%	10.8%	10.6%	7.2%	5.3%	
Value Added		0.2%	0.6%	2.3%	1.8%	2.5%	
Internal Domestic Fundamental	1.1	1.5%	-.-%	-.-%	-.-%	14.5%	6/06
PERS Wilshire 2500		1.4%	-.-%	-.-%	-.-%	13.1%	
Value Added		0.1%	-.-%	-.-%	-.-%	1.4%	
Internal Microcap	0.8	2.0%	4.3%	10.6%	-.-%	15.5%	9/03
Custom Benchmark		2.4%	4.8%	11.1%	-.-%	17.2%	
Tracking Error		-0.4%	-0.5%	-0.5%	-.-%	-1.7%	
Total External Domestic Equity	**13.9**	**1.3%**	**10.5%**	**10.3%**	**7.6%**	**11.1%**	**6/87**
Total Active External Mainstream	4.4	1.3%	11.8%	10.6%	7.3%	5.6%	6/98
Total Domestic Ext. Enhanced	8.2	1.1%	11.0%	-.-%	-.-%	12.9%	9/04
Custom Benchmark		0.9%	11.0%	-.-%	-.-%	12.5%	
Value Added		0.2%	0.0%	-.-%	-.-%	0.4%	
Total Domestic Equity MDP	1.2	2.1%	7.6%	10.1%	8.2%	4.7%	12/00
Total Domestic Equity MDP Ventures	0.0	235.1%	846.5%	198.3%	90.7%	71.3%	3/01
Environmental Domestic Equity	**0.3**	**1.3%**	**8.9%**	**-.-%**	**-.-%**	**9.9%**	**3/05**
Custom Benchmark		0.9%	11.3%	-.-%	-.-%	12.4%	
Value Added		0.4%	-2.4%	-.-%	-.-%	-2.5%	

Domestic Equity Active Manager Program [27]							
Active External Managers + Enh + DCF	17.2	1.3%	10.9%	10.0%	6.5%	5.0%	6/98
PERS Wilshire 2500		1.4%	10.8%	10.6%	7.2%	4.6%	
Value Added of Active Mgr Program		-0.1%	0.1%	-0.6%	-0.7%	0.4%	

26 Composites may not add up exactly due to rounding. The US Equity Composite includes LM Capital which is a fixed income manager that has been allocated to the equity segment.

27 This composite combines components listed above to present a comparison of the total domestic equity active manager program versus its benchmark.

Total Equity Review for PERF - International Equity Manager Performance

	Market Value	Qtr	1 Year	3 Year	5 Year	Incept.	Date
Non-US Equity Composite[28]	**48.7**	**3.8%**	**18.4%**	**20.9%**	**15.3%**	**8.0%**	**6/89**
PERS SSgA Custom Index [29]		3.9%	20.2%	21.1%	17.1%	7.2%	
Value Added		-0.1%	-1.8%	-0.2%	-1.8%	0.8%	
Int'l Active Equity + MDP	**15.7**	**3.7%**	**19.3%**	**20.8%**	**15.6%**	**7.8%**	**3/89**
Custom Benchmark		3.9%	20.2%	21.1%	17.1%	6.8%	
Value Added		-0.2%	-0.9%	-0.3%	-1.5%	1.0%	
Int'l Emerging Markets	**5.2**	**3.7%**	**18.0%**	**30.7%**	**-.-%**	**36.5%**	**9/02**
CalPERS FTSE All Emerging Index		3.7%	19.8%	27.6%	-.-%	34.4%	
Value Added		0.0%	-1.8%	3.1%	-.-%	2.1%	
Total Int'l MDP[30]	**0.5**	**4.3%**	**20.5%**	**19.3%**	**14.2%**	**5.3%**	**6/00**
Total Int'l Ventures	**0.0**	**41.8%**	**134.6%**	**67.7%**	**54.6%**	**34.3%**	**3/02**
Internal International Equity Index	**27.1**	**3.9%**	**20.2%**	**-.-%**	**-.-%**	**26.9%**	**6/05**
Custom Benchmark		3.9%	20.0%	-.-%	-.-%	26.6%	
Tracking Error		0.0%	0.2%	-.-%	-.-%	0.3%	
Environmental International[31]	**0.2**	4.5%	23.3%	-.-%	-.-%	23.3%	**3/06**
Custom Benchmark		3.9%	20.2%	-.-%	-.-%	20.2%	
Value Added		0.6%	3.1%	-.-%	-.-%	3.1%	
Total Intl Equity ex-AIM & ex-Currency overlay[32]	**48.8**	**3.9%**	**19.8%**	**21.4%**	**16.9%**	**9.0%**	**6/89**
Equity Policy Index [33]		3.9%	20.2%	21.1%	17.1%	7.2%	
Value Added		0.0%	-0.4%	0.3%	-0.2%	1.8%	

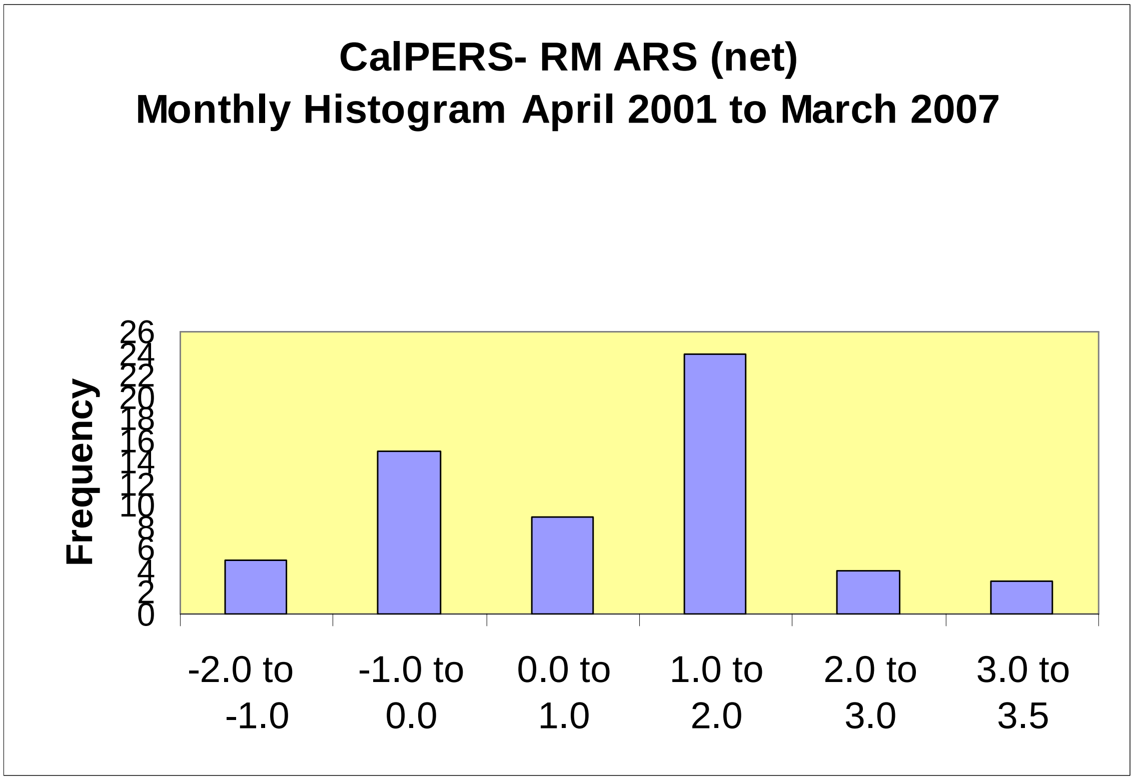
[28] Composite may not add up exactly due to rounding.
[29] The PERS SSgA Custom Index currently represents the FTSE All World ex US Index. This Index is linked historically to its prior benchmarks.
[30] Total MDP market value is also included in the International Active Equity + MDP Composite.
[31] The currency overlay portfolios' values are included in the international equity index.
[32] Includes domestic equity, international equity, corporate governance, and the RM ARS program.
[33] The Equity Policy Index return equals the benchmark returns for the domestic equity and international equity segments weighted at policy allocation target percentages.

RM ARS Program Review for PERF
Period Ended 3/31/07

	Market Value	Qtr	1 Year	3 Year	5 Year	3-Year Info Ratio[35]	3-Year Sharpe Ratio[36]	3-Year Sortino Ratio[36]
Total RM ARS Program	**4.9**	**3.5%**	**11.1%**	**10.3%**	9.3%	**0.3**	**1.2**	**1.6**
Total Direct Investments	4.0	3.7%	12.1%	9.5%	-.-%			
Total Fund of Funds	0.9	2.5%	6.1%					
Policy Index[34]		2.5%	10.1%	8.1%	7.3%			
Value Added		1.0%	1.0%	2.2%	2.0%			
ML 1-Year Treasury Note Index + 5% Index		2.5%	10.1%	7.9%	7.7%			
HFRI Fund of Funds Index		3.0%	8.2%	8.1%	7.8%			

RM ARS Program Characteristics
Period Ended 3/31/07

Percentage of positive Months	Beta vs. S&P 500	DJ W5000[20]	PERS 2500[20]	Lehman Long Liability Index	FTSE AW X US[20]
		Since Inception Rolling Correlations vs. Index			
67%	0.3	0.5	0.5	-0.2	0.6



[34] The RM ARS Policy consists of the Merrill Lynch 1-Year Treasury Note + 5% and is linked historically to its prior benchmark.

[35] The "Information Ratio" calculates the amount of excess performance earned per unit of excess risk, as measured by tracking error. Higher information ratios imply a greater return per risk ventured.

[36] The Sortino Ratio is measure of a risk-adjusted return of an investment asset. It is an extension of the Sharpe Ratio. While the Sharpe ratio takes into account any volatility, in return of an asset, Sortino ratio differentiates volatility due to up and down movements. The up movements are considered desirable and not accounted in the volatility. The Sharpe ratio is a measure of risk-adjusted performance of an investment asset, or a trading strategy. The Sharpe ratio is used to characterize how well the return of an asset compensates the investor for the risk taken. When comparing two assets against the same benchmark, the asset with the higher Sharpe ratio gives more return for the same risk.

RM ARS Program Review for PERF

- Beta vs. S&P 500: This measures the amount of stock market risk in the portfolio. A beta of 1.0 would indicate that the portfolio's performance should closely track the stock market, while a beta higher than 1.0 implies greater-than-market risk and possibly leverage. The portfolio's beta is 0.3 which implies a semi-weak relationship to stock market return, which is appropriate for this program.

- Correlation vs. various indices: We have calculated the historical correlation between the RM ARS and CalPERS' other main asset classes. Over a market cycle, the RM ARS should function independently of the other asset classes and have a low correlation to directional movements in all other asset classes. Since inception, the performance of both the RM ARS and the stock market has been generally positive, resulting in a moderately high correlation.

- Histogram: The RM ARS is designed to generate small amounts of return on a consistent basis. This chart shows the frequency of monthly performance results. A significant number of outlying monthly performance returns would indicate insufficient risk controls. We believe that the distribution of monthly returns is as expected, given the youthfulness of the program, and has significantly more positive months than negative months, which is favorable.

Corporate Governance Review

	Market Value	Qtr	1 Year	3 Year	5 Year	Date
Total Corporate Governance	**4.9**	**2.7%**	**13.7%**	**16.0%**	**14.6%**	**12/98**
Policy Index		1.7%	9.5%	14.2%	10.9%	
Value Added		1.0%	4.2%	1.8%	3.7%	
Total Domestic Corporate Governance	**2.8**	**4.7%**	**12.7%**	**12.2%**	**14.2%**	**12/98**
Total Int'l Corporate Governance	**2.2**	**0.4%**	**14.2%**	**19.3%**	**13.9%**	**12/98**

- The System's total corporate governance program outperformed its objective, the total equity and the total fund policy over the quarter. The program benefited from its domestic exposure.

Total Fixed Income Review for PERF

Periods Ended 3/31/07

Fixed Income Allocation

Asset Allocation: Actual versus Target Weights

Asset Class	Actual Asset Allocation	Target Asset Allocation	Difference
US Fixed Income	20.5%	23.0%	-2.5%
Non US Fixed Income	2.9	3.0	-0.1

Fixed Income Segment Performance

	Market Value	Qtr	1 Year	3 Year	5 Year	10 Year	VaR[40]	PAR[41]	5-year Info Ratio[42]
Total Fixed Income	**54.9**	**1.6%**	**7.8%**	**4.6%**	**7.8%**	**7.5%**	**$944 mil**	**0.8%**	**0.3**
Fixed Income Policy Index [37]		1.4%	7.3%	3.8%	7.2%	7.1%			
Value Added		0.2%	0.5%	0.8%	0.6%	0.4%			
U.S. Fixed Income	**48.1**	**1.7%**	**7.9%**	**4.8%**	**7.3%**	**7.8%**	**$1,185 bil**	**0.8%**	**0.3**
Policy Index [38]		1.5%	7.1%	3.9%	6.7%	7.3%			
Value Added		0.2%	0.8%	0.9%	0.6%	0.5%			
Non-U.S. Fixed Income	**6.8**	**1.1%**	**7.4%**	**2.8%**	**10.4%**	**5.4%**	**$637 mil**	**0.0%**	**0.1**
Policy Index [39]		1.0%	8.3%	2.9%	10.3%	5.5%			
Value Added		0.1%	-0.9%	-0.1%	0.1%	-0.1%			

Comments Regarding Recent Fixed Income Segment Performance

Helped Performance:

- **Mortgage Bonds:** CalPERS' mortgage portfolio outperformed the overall fixed income segment. This segment has also outperformed the overall fixed income segment for the three-year period.

- **Internal Sovereign Bonds:** The System's Sovereign portfolio, which holds non-US government bonds that are U.S. Dollar denominated, outperformed the total fixed income policy over the quarter, and over all listed periods.

- **Special Investments:** The special investments equaled the fixed income policy index over the quarter and have outperformed the fixed income policy index over the one and three year periods.

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[37] The Fixed Income Policy Index return equals the benchmark returns for domestic and international fixed income components weighted at policy allocation target percentages.
[38] The Domestic Fixed Income Policy Index consists of the Lehman Long Liability Index and is linked historically to its prior benchmark.
[39] The Non-US Fixed Income Policy Index consists of the Lehman International Fixed Income and is linked historically to its prior benchmark.
[40] VAR (Value at Risk) measures how much the portfolio might decrease over a 12 month period in extreme cases. The VAR estimate shows how much the portfolio value might fall in the worst 5% of 12 month periods. VAR is calculated using total risk (standard deviation) and market value ((Expected Return –(1.65 X SD)) X MV).
[41] PAR (Performance at Risk) measures how much the portfolio might underperform its benchmark over a 12 month period in extreme cases. This PAR shows how much the portfolio might underperform in the worst 5% of 12 month periods. PAR is calculated using excess risk (tracking error) and market value (1.65 X TE X MV)
[42] The "Information Ratio" calculates the amount of excess performance earned per unit of excess risk, as measured by tracking error. Higher information ratios imply a greater return per risk ventured.

- **External High Yield Bonds:** The external high yield bond managers outperformed the fixed income policy index during the quarter. The segment has added value over the long term, led by the bank loan segment.

- **Internal High Yield Bonds:** CalPERS' internal high yield portfolio outperformed the fixed income policy index over the quarter. In addition, the portfolio has also outperformed over all longer time periods.

Impeded Performance:

- **International Fixed Income:** The System's external international bond segment lagged the total fixed income policy for the quarter. The segment did outperform versus its objective.

- **Treasury Bonds:** Treasury bonds lagged the fixed income policy index for the quarter, as investors were anticipating the Fed would decrease the Fed Fund Rate which did not occur. However, the portfolio has outperformed the fixed income policy over for the five and ten year period.

Fixed Income Performance

	Market Value	Qtr	1 Year	3 Year	5 Year	10 Year
Total Fixed Income	**54.9**	**1.6%**	**7.8%**	**4.6%**	**7.8%**	**7.5%**
Fixed Income Policy Index [43]		1.4%	7.3%	3.8%	7.2%	7.1%
Value Added		0.2%	0.5%	0.8%	0.6%	0.4%
Total Internal Bonds	**46.1**	**1.6%**	**7.4%**	**4.3%**	**7.0%**	**7.7%**
Treasury Bonds	9.0	1.6%	6.6%	3.3%	7.4%	7.9%
Mortgage Bonds	13.7	1.6%	7.3%	4.2%	5.4%	6.8%
Long Duration	4.7	1.8%	7.8%	-.-%	-.-%	-.-%
Corporate Bonds	10.8	1.8%	8.4%	6.2%	8.8%	8.4%
U.S. Government	4.8	0.7%	6.9%	1.9%	6.7%	-.-%
Sovereign Bonds[44]	0.9	1.6%	8.6%	5.0%	9.3%	9.5%
Duration/SEC Allocation	3.1	1.5%	7.7%	-.-%	-.-%	-.-%
Custom Benchmark [45]		1.5%	7.1%	3.9%	6.7%	7.3%
Opportunistic [46]	**1.3**	**5.5%**	**23.0%**	**22.0%**	**19.0%**	**-.-%**
Internal High Yield Bonds	0.6	2.8%	10.1%	18.2%	16.0%	-.-%
External High Yield	0.7	3.7%	13.8%	11.2%	12.0%	-.-%
Citigroup High Yield Cash Pay		2.4%	11.3%	8.2%	10.1%	-.-%
Commodities	**0.4**	-.-%	-.-%	-.-%	-.-%	-.-%
Special Investments	**0.9**	**1.4%**	**7.9%**	**4.7%**	**6.4%**	**6.2%**
External International Fixed Income	**6.8**	**1.1%**	**7.4%**	**2.8%**	**10.4%**	**5.4%**
Custom Benchmark [47]		1.0%	8.3%	2.9%	10.3%	5.5%
Value Added		0.1%	-0.9%	-0.1%	0.1%	-0.1%
Currency Overlay [48]						
Pareto Partners	5.0	3.2%	13.9%	19.2%	11.7%	8.7%
Custom Benchmark		3.8%	14.4%	12.0%	4.1%	6.2%
Value Added		-0.6%	-0.5%	7.2%	7.6%	2.5%
State Street London	2.1	3.8%	15.9%	19.6%	10.6%	9.1%
Custom Benchmark		3.8%	14.4%	12.0%	4.1%	6.2%
Value Added		0.0%	1.5%	7.6%	6.5%	2.9%
Internal Currency Overlay	3.2	3.7%	14.2%	20.3%	9.6%	-.-%
Custom Benchmark		3.8%	14.4%	12.0%	4.1%	-.-%
Value Added		-0.1%	-0.2%	8.3%	5.5%	-.-%

[43] The Fixed Income Policy Index return equals the benchmark returns for domestic and international fixed income components weighted at policy allocation target percentages.
[44] The Internal Sovereign Bond market value is also included in the Internal Treasury Bond market value.
[45] The custom benchmark consists of the Lehman Long Liability Index. Prior of 3Q 2004 the benchmark was Citigroup LPF.
[46] Opportunistic includes internal and external high yield. Internal High Yield's market value is included in both the Total Internal Bonds and the Opportunistic Market Values.
[47] The custom benchmark consists of the Lehman International Fixed Income and is linked historically to its prior benchmark.
[48] Currency overlay's performance is rolled into the international equity composite, but is shown here since it is managed by fixed income managers.

Total Real Estate Review for PERF
Period Ended 3/31/07

Real Estate Allocation

Asset Allocation: Actual versus Target Weights

Asset Class	Actual Asset Allocation	Target Asset Allocation	Difference
Real Estate	8.2%	8.0%	+0.2%

Real Estate Segment Performance

	Market Value	Qtr	1 Year	3 Year	5 Year	10 Year	VaR[51]	PAR[52]	5-year Info Ratio[53]
Total Real Estate [49]	**19.5**	**4.2%**	**20.8%**	**26.7%**	**19.2%**	**15.6%**	**$569 mil**	**0.7**	**1.1**
NCREIF Property Index Lagged [50]		4.5%	16.6%	17.0%	13.3%	12.7%			
TUCS Real Estate Median		3.7%	16.2%	18.3%	14.5%	13.1%			
Total Core Real Estate	**10.3**	**2.5%**	**20.3%**	**27.2%**	**18.9%**	**16.1%**			
Core Real Estate Private	10.3	2.4%	20.3%	27.2%	18.8%	16.2%			
Total Non-Core Real Estate	**9.1**	**6.2%**	**21.6%**	**24.8%**	**19.8%**	**13.5%**			

- CalPERS' real estate composite produced a return of 4.2% during the quarter, lagging the lagged NCREIF Property Index return of 4.5% but outperforming the TUCS real estate median return. Over the long term the composite has added value and outperformed both the NCREIF and the TUCS real estate median.

[49] Real estate total returns are net of investment management fees and all expenses, including property level operations expenses netted from property income. This method differs from GASB 31, which requires all investment expenses be identified for inclusion in the System's general purpose financial statements.

[50] The performance of CalPERS' real estate segment is lagged one quarter. Therefore, the NCREIF Property Index is lagged one quarter as well to provide a better comparison.

[51] VAR (Value at Risk) measures how much the portfolio might decrease over a 12 month period in extreme cases. The VAR estimate shows how much the portfolio value might fall in the worst 5% of 12 month periods. VAR is calculated using total risk (standard deviation) and market value ((Expected Return –(1.65 X SD)) X MV).

[52] PAR (Performance at Risk) measures how much the portfolio might underperform its benchmark over a 12 month period in extreme cases. This PAR shows how much the portfolio might underperform in the worst 5% of 12 month periods. PAR is calculated using excess risk (tracking error) and market value (1.65 X TE X MV)

[53] The "Information Ratio" calculates the amount of excess performance earned per unit of excess risk, as measured by tracking error. Higher information ratios imply a greater return per risk ventured.

AIM Program Review for PERF
Period Ended 3/31/07

AIM Program Allocation

Asset Allocation: Actual versus Target Weights

Asset Class	Actual Asset Allocation	Target Asset Allocation	Difference
AIM	5.8%	6.0%	-0.2%

AIM Segment Performance

	Market Value	Qtr	1 Year	3 Year	5 Year	10 Year	VaR[56]	PAR[57]	5-year Info Ratio[58]
AIM Program[54]	**13.6**	**4.4%**	**20.0%**	**21.3%**	**10.7%**	**-.-%**	**$128.9 mil**	**0.7%**	**0.7**
Policy Index [55]		4.1%	17.4%	17.1%	5.5%	-.-%			
Value Added		0.3%	2.6%	4.2%	5.2%	-.-%			
Long-Term Policy						13.4%			
AIM Partnership Investments	**13.6**	4.5%	20.1%	21.5%	10.7%	12.6%			
AIM Distribution Stock	0.1	-0.8%	12.1%	8.7%	12.5%	-.-%			

- The AIM program outperformed its objective over the quarter and has outperformed for all longer periods.

Cash Program Review for PERF

Cash Program Allocation

Asset Allocation: Actual versus Target Weights

Asset Class	Actual Asset Allocation	Target Asset Allocation	Difference
Cash	0.7%	0.0%	+0.7%

Cash Segment Performance

	Market Value	Qtr	1 Year	3 Year	5 Year	10 Year
Equitized Cash Composite[59]	**1.5**	**0.9%**	4.9%	3.5%	2.8%	4.2%
Policy Index [60]		1.2%	5.3%	3.5%	2.6%	3.9%
Value Added		-0.3%	-0.4%	0.0%	0.2%	0.3%
Total Cash	**1.5**	1.3%	5.4%	3.7%	2.9%	4.2%
Cash Equitization	**0.0**	-1.3%	-.-%	-.-%	-.-%	-.-%

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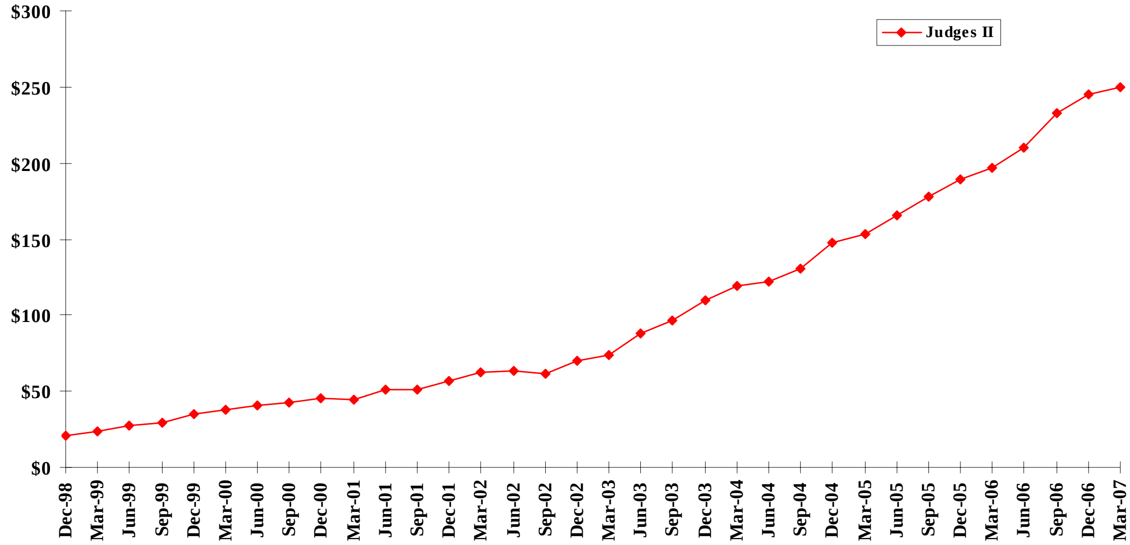
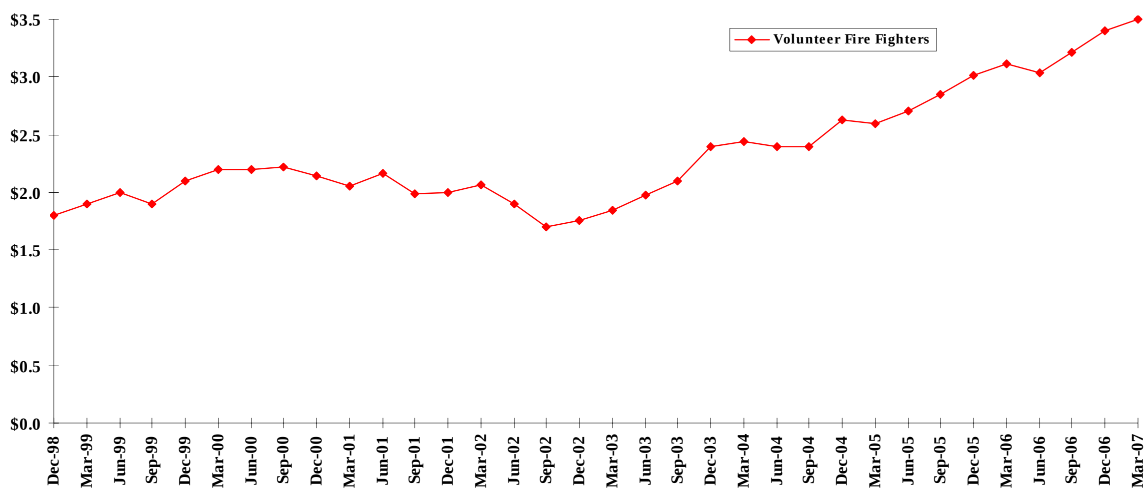
[54] The performance of CalPERS' AIM segment is lagged one quarter.
[55] The AIM Policy Index consists of the Custom Young Fund and is linked historically to its prior benchmark.
[56] VAR (Value at Risk) measures how much the portfolio might decrease over a 12 month period in extreme cases. The VAR estimate shows how much the portfolio value might fall in the worst 5% of 12 month periods. VAR is calculated using total risk (standard deviation) and market value ((Expected Return –(1.65 X SD)) X MV).
[57] PAR (Performance at Risk) measures how much the portfolio might underperform its benchmark over a 12 month period in extreme cases. This PAR shows how much the portfolio might underperform in the worst 5% of 12 month periods. PAR is calculated using excess risk (tracking error) and market value (1.65 X TE X MV)
[58] The "Information Ratio" calculates the amount of excess performance earned per unit of excess risk, as measured by tracking error. Higher information ratios imply a greater return per risk ventured.
[59] Cash is equitized using equity index futures in proportion to the Total Equity Policy Weights.
[60] The Custom STIF Policy Index is a custom index maintained by SSgA.

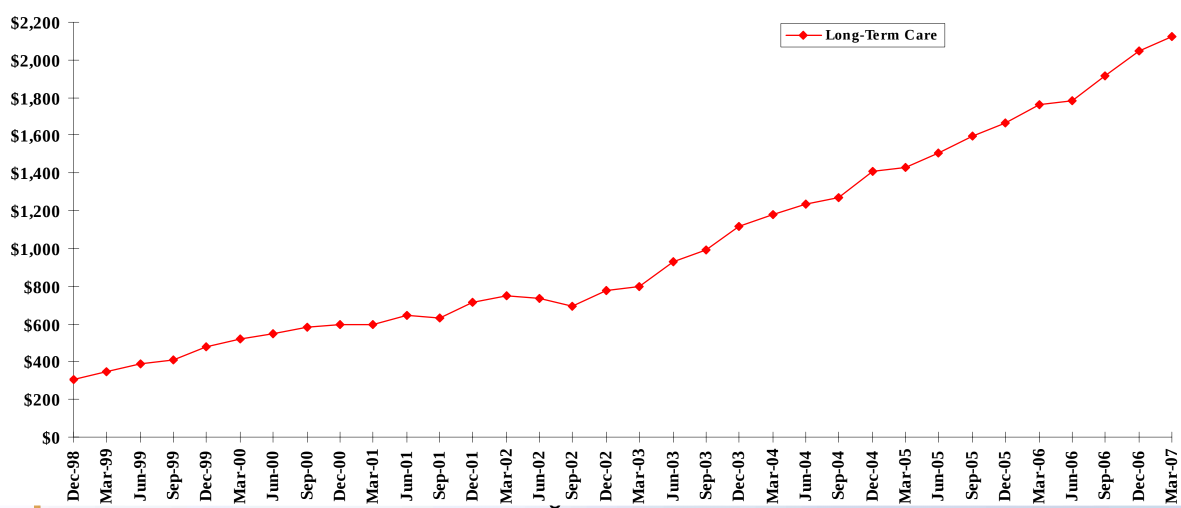
Affiliate Fund Information

Affiliate Fund Performance

Growth in Assets (in Millions)







Total Fund Performance Results

Total Fund Performance

Periods Ended March 31, 2007

	Market Value	Qtr	One Year	Three Year	Five Year	Ten Year
Judges II	$250.0 mil	2.0%	12.5%	10.7%	8.8%	8.3%
Weighted Policy Benchmark [61]		*1.9*	*12.6*	*10.2*	*8.7*	*8.3*
Long Term Care ("LTC")	$2,120.9 mil	2.0	11.8	9.8	8.1	8.4
Weighted Policy Benchmark		*1.9*	*11.7*	*9.2*	*7.9*	*8.3*
Volunteer Firefighters ("VFF")	$3.5 mil	2.2	12.2	11.4	8.3	9.1
Weighted Policy Benchmark		*2.2*	*12.4*	*10.7*	*8.1*	*8.9*
TUCS Public Fund Median [62]		*2.0*	*10.3*	*10.1*	*8.8*	*8.6*

Asset Allocation

Judges II Asset Allocation: Actual versus Target Weights

Asset Class	Actual Asset Allocation	Target Asset Allocation (%)	Difference
US Equities	34.6	34.0	0.6
Int'l Equity	20.1	20.0	0.1
US Bonds	35.5	36.0	-0.5
High Yield	0.0	0.0	0.0
TIPS	0.0	0.0	0.0
Real Estate	9.8	10.0	-0.2
Cash	0.1	0.0	0.1

LTC Asset Allocation: Actual versus Target Weights

Asset Class	Actual Asset Allocation (%)	Target Asset Allocation	Difference
US Equities	29.0	29.0	0.0
Int'l Equity	19.6	19.0	0.6
US Bonds	29.5	30.0	-0.5
High Yield	9.8	10.0	-0.2
TIPS	7.0	7.0	0.0
Real Estate	5.0	5.0	0.0
Cash	0.0	0.0	0.0

VFF Asset Allocation

Asset Class	Actual Asset Allocation (%)	Target Asset Allocation	Difference
US Equities	34.8	34.0	0.8
Int'l Equity	20.3	20.0	0.3
US Bonds	35.2	36.0	-0.8
High Yield	0.0	0.0	0.0
TIPS	0.0	0.0	0.0
Real Estate	9.3	10.0	-0.7
Cash	0.4	0.0	0.4

[61] The weighted policy benchmark returns for Judges II, LTC, and VFF are based on asset class index returns weighted by asset class policy targets.

[62] The Trust Universe Comparison Service (TUCS) is a universe of over 1,000 client portfolios returns subdivided by client type and asset class.

Commentary

- VFF equaled its weighted policy during the first quarter, while Judges II and LTC outperformed their respective policy benchmarks. Over the long term, all three plans have tracked very closely to their respective policies. Judges II and LTC equaled the TUCS Public Fund Median while the VFF beat the Median for the quarter. Among the three plans, VFF had the highest allocation in U.S. equity at 34.8%, VFF had the highest allocation in international equity at 20.3%, and LTC had the highest allocation in fixed income at 46.3%.

U.S. Equity Performance

U.S. Equity Performance
Periods Ended March 31, 2007

	Market Value	Qtr	One Year	Three Year	Five Year	Ten Year
Judges II U.S. Equity	$86.4 mil	0.7%	11.6%	9.9%	6.2%	8.1%
Custom Benchmark[63]		*0.6*	*11.5*	*9.8*	*6.1*	*8.1*
LTC U.S. Equity	$614.8	0.7	11.6	9.9	6.2	8.1
Custom Benchmark [63]		*0.6*	*11.5*	*9.8*	*6.1*	*8.1*
VFF U.S. Equity	$1.2	1.2	11.0	10.5	6.5	8.3
Custom Benchmark [64]		*1.3*	*11.3*	*10.3*	*6.4*	*8.2*
TUCS Equity Median		1.7	9.8	11.3	8.7	10.1

Commentary

The Judges II and LTC equity funds, which are included in the Custom S&P 500 ex-Tobacco Index fund, returned 0.7% for the quarter and slightly beat their benchmarks. The VFF equity portfolio, which holds the exchange traded Russell 3000 Index fund, generated a return of 1.2%, slightly lagging its policy benchmark for the same period. Over all longer measured periods, the funds are performing in-line with expectation. The Judges, LTC, and VFF equity funds underperformed the TUCS Equity Median for the quarter.

[63] A tobacco-free S&P 500 is used as the benchmark for the U.S. equity segments of Judges II and LTC starting with February 2001 performance
[64] The benchmark is Russell 3000 from July 2005 and on. Prior of that the benchmark was the tobacco-free S&P 500 Index.

International Equity Performance

International Equity Performance
Periods Ended March 31, 2007

	Market Value	Qtr	One Year	Three Year	Five Year	Ten Year
Judges II Int'l Equity	$50.2 mil	3.9%	20.0%	19.9%	16.0%	8.5%
Custom Benchmark [65]		*3.9*	*19.7*	*19.7*	*15.7*	*8.3*
LTC Int'l Equity	$416.5	3.9	19.0	19.6	15.9	8.4
Custom Benchmark [65]		*3.9*	*19.7*	*19.7*	*15.7*	*8.3*
VFF Int'l Equity	$0.7	4.2	20.0	-.-	-.-	-.-
MSCI EAFE		*4.1*	*20.2*	-.-	-.-	-.-

Commentary

- The Judges II and LTC international equity funds are benchmarked against the FTSE Developed World ex-US & Tobacco Index. Both funds matched the benchmark performance for the quarter and continued to perform in line with expectation over the long term. The VFF's international equity fund, which tracks the MSCI EAFE Index, slightly outperformed for the quarter.

[65] Effective October 1, 2006, the benchmark is FTSE Developed World ex-U.S. & Tobacco Index. Prior of that the benchmark was MSCI EAFE Index (Net).

Total Fixed Income

Fixed Income Performance
Periods Ended March 31, 2007

	Market Value	Qtr	One Year	Three Year	Five Year	Ten Year
Judges II Fixed Income	$88.8 mil	1.6%	6.9%	3.5%	5.6%	6.9%
LTC Fixed Income	$982.1	1.9	7.6	4.7	6.4	7.3
VFF Fixed Income	$1.2	1.4	6.1	4.5	6.3	7.2
Lehman Long Liability		1.5	7.1			
LTC High Yield	$206.9	3.0	11.0	-.-	-.-	-.-
Lehman Long Liability High Yield		2.8	10.5			
				-.-	-.-	-.-
LTC TIPS	$149.1	2.4	5.2	-.-	-.-	-.-
Lehman Long Liability TIPS		2.4	5.2	-.-	-.-	-.-

Commentary

- The Judges II fixed income portfolio, which includes Affiliate high yield and TIPS issues, outperformed the Lehman Long Liability Index over the quarter. The LTC fixed income portfolio, which excludes high yield and TIPS issues, outperformed its benchmark, the Lehman Long Liability ex-TIPS ex-High Yield Index for the quarter. VFF's portfolio holds iShares of the Lehman Aggregate ETF and equaled its benchmark, the Lehman Aggregate Bond Index.

- The LTC high yield portfolio outperformed its benchmark, the Lehman Long Liability High Yield Index, during the quarter and has outperformed over the one-year period. The LTC TIPS portfolio matched its benchmark, the Lehman Long Liability TIPS Index, for the quarter and over the one-year period.

Total Real Estate

Real Estate Performance
Periods Ended March 31, 2007

	Market Value	Qtr	One Year	Three Year	Five Year
Judges II REIT	$24.4 mil	3.5%	21.2%	-.-	-.-
LTC REIT	106.8 mil	3.5	21.2	-.-	-.-
VFF REIT	0.3 mil	3.5	21.2	20.5	-.-
DJ Wilshire REIT Index		3.7	21.8	24.0	22.7
TUCS Real Estate Median		3.7	16.2	18.3	14.5

Commentary

All three plans' REIT portfolios trailed the Dow Jones Wilshire REIT Index during the quarter and over the 1-year period. The portfolios lagged the TUCS Real Estate Median for the quarter but have outperformed against it over the 1-year period.

Deferred Compensation Plan

Deferred Compensation Plan

Historical Performance
Periods Ended March 31, 2007

	Market Value	Qtr	One Year	Three Year	Five Year	Ten Year
U.S. Equity Option	$1,070 mil	0.6%	11.9%	10.1%	6.2%	8.1%
Custom S&P 500 Index [66]		*0.6*	*11.5*	*9.8*	*6.1*	*8.1*
Fixed Income U.S. Treasury Option	$24.9 mil	1.5	5.4	2.1	4.1	5.5
Lehman Intermediate Treasury		*1.6*	*5.6*	*2.2*	*4.1*	*5.5*
Lehman Aggregate Bond Index		*1.5*	*6.6*	*3.3*	*5.4*	*6.5*
Citigroup Medium Term 1-10 Treasury		*1.5*	*5.8*	*2.4*	*4.7*	*5.8*
Cash Equivalents	$31.0 mil	1.2	4.9	3.2	2.3	3.6
Citigroup 30 Day T-Bill		*1.2*	*4.9*	*3.3*	*2.5*	*3.5*

Commentary

- The U.S. equity portfolio equaled the Custom S&P 500 ex-Tobacco Index during the quarter, and continued to track very closely to the index over all longer periods.

- The U.S. Treasury Option displayed negative tracking error against the Lehman Intermediate Treasury Index during the quarter and has tracked very closely to the index over all measured periods. The portfolio equaled the Lehman Aggregate Bond Index and the Citigroup Medium Term 1-10 Treasury for the quarter.

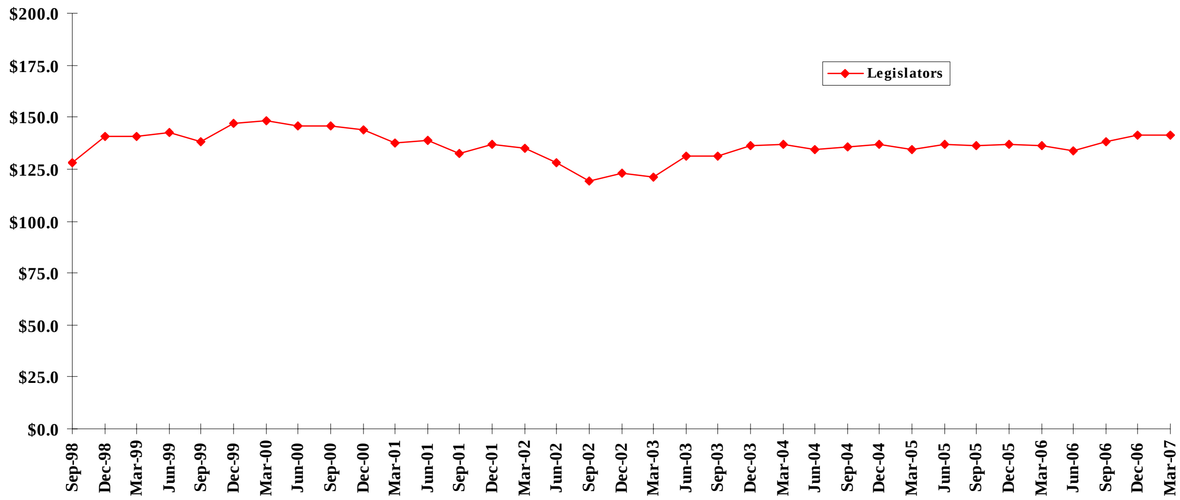
- The cash equivalent account has performed in line with the Citigroup 30 Day T-Bill Index over all time periods.

[66] A tobacco-free S&P 500 is used as the benchmark for the U.S. equity segment of the Deferred Compensation Plan starting with the February 2001 performance.

Legislators' Information

California Legislators' Retirement System

Growth in Assets



Total Fund Performance Results

Total Fund Performance
Periods Ended March 31, 2007

	Market Value	Qtr	One Year	Three Year	Five Year	Ten Year
LRS	**$141.4 mil**	**1.6%**	**9.6%**	**7.4%**	**7.1%**	**8.4%**
Weighted Policy Benchmark [67]		1.5	9.5	7.3	7.7	8.6
TUCS Public Fund Median [68]		2.0	10.3	10.1	8.8	8.6

Asset Allocation

Asset Class	Actual	Policy	Difference
US Equity	30.1%	30.0%	+0.1%
International Equity	10.2	10.0	+0.2
US Bonds	49.6	50.0	-0.4
TIPS	10.1	10.0	+0.1
Cash Equivalents	0.0	0.0	0.0
	100.0	100.0	0.0

67 The weighted policy benchmark returns are based on asset class index returns weighted by asset class policy targets.
68 The Trust Universe Comparison Service (TUCS) is a universe of over 1,000 client portfolio returns subdivided by client type and asset class.

Commentary

- The California Legislators' Retirement System ('LRS, the System') generated a return of 1.6% for the first quarter of 2007, outperforming its weighted policy benchmark. Over the longer term periods, the System has trailed its policy benchmark. The LRS has trailed the TUCS Public Fund Median for the quarter and for all other measured periods shown.

- As of March 31, the System's market value was $141.4 million, which represented a net increase of approximately $1.5 million from the beginning of the quarter. The change in market value consisted of net contribution of 0.0 million, net distribution and administrative fees of $2.5 million and net investment gain of $4.0 million.

LRS Internal U.S. Equity Assets

LRS Internal U.S. Equity Performance
Periods Ended March 31, 2007

	Market Value	Qtr	One Year	Three Year	Five Year	Ten Year
LRS U.S. Equity	$42.6 mil	0.7%	11.7%	9.9%	6.2%	8.1%
Custom S&P 500 Index [69]		0.6	11.5	9.8	6.1	8.1
TUCS Equity Median		1.7	9.8	11.3	8.7	10.1

Commentary

- The System's U.S. equity composite slightly outperformed versus the Custom S&P 500 ex-Tobacco Index for the quarter, returning 0.7%, and has continued to track very closely to its benchmark over all measured periods shown above. The composite has lagged the TUCS Equity Median return for the quarter and over the three, five, and ten-year periods.

[69] A custom tobacco-free S&P 500 is used as the benchmark for the U.S. equity segment of LRS starting with the February 2001 performance.

International Equity Performance

Total International Equity Performance
Periods Ended March 31, 2007

	Market Value	Qtr	One Year	Three Year	Five Year	Ten Year
LRS International	$14.4 mil	3.9%	19.7%	19.8%	16.1%	8.5%
Custom Benchmark [70]		3.9	19.7	19.7	15.7	8.3

Commentary

- The System's international equity portfolio was up during the first quarter, returning 3.9% and equaled its custom benchmark, the FTSE Developed World ex-U.S. & Tobacco Index. The portfolio also outperformed or equaled the benchmark for all listed periods.

[70] Effective October 1, 2006, the benchmark is FTSE Developed World ex-U.S. & Tobacco Index. Prior of that the benchmark was MSCI EAFE Index (Net).

Total Fixed Income

Total Fixed Income Performance
Periods Ended March 31, 2007

	Market Value	Qtr	One Year	Three Year	Five Year	Ten Year
LRS Fixed Income	$70.1 mil	1.5%	7.1%	3.5%	5.7%	6.9%
Custom Benchmark [71]		1.4	7.2	3.9	6.7	7.4
LRS TIPS	$14.2 mil	2.4	5.3	2.7	-.-	-.-
Lehman Long Liability TIPS		2.4	5.2	3.4	-.-	-.-

Commentary

- The LRS fixed income portfolio generated a return of 1.5% for the quarter, slightly outperforming its custom benchmark, the Lehman Long Liability ex-TIPS Index. The portfolio has trailed its benchmark for all other listed periods.

- The System's TIPS portfolio returned 2.4%, equaling the Lehman Long Liability TIPS Index's return for the quarter. The portfolio has outperformed its benchmark over the 1-year period.

[71] The Lehman Long Liability ex TIPS is used as the benchmark starting July 2005. Prior of that the benchmark was Citigroup LPF.

Supplemental Income Plans

Supplemental Contributions Program Performance

Total Fund Performance Results

Total Fund Performance
Periods Ended March 31, 2007

	Qtr	One Year	Three Year	Five Year	Incept	Date
SCP Equity Fund	0.7%	11.7%	10.0%	6.2%	0.7%	3/31/00
PERS S&P 500	0.7	11.6	9.9	6.2	0.8	
Value Added	0.0	0.1	0.1	0.0	-0.1	
SCP International Fund	3.9	20.0	19.8	15.8	*5.0*	3/31/00
Custom Benchmark	3.9	20.0	19.8	15.8	*5.0*	
Value Added	0.0	0.0	0.0	0.0	0.0	
SCP Fixed Fund	1.6	11.7	7.2	7.9	*8.4*	3/31/00
Custom Benchmark	1.5	7.1	2.9	5.1	6.2	
Value Added	0.1	4.6	4.3	2.8	2.2	
SCP Short Term Fund	1.1	4.1	2.7	2.1	2.6	3/31/00
Custom Benchmark	0.3	5.1	3.4	2.6	3.2	
Value Added	-0.2	-1.0	-0.7	-0.5	-0.6	
Total Fund	1.5	11.6	10.1	7.8	*3.3*	*3/31/00*
TUCS Public Median	2.0	10.3	10.1	8.8	*8.6*	

CalPERS 457 Program Net Funds

Periods Ended March 31, 2007

	Qtr	One Year	Three Year	Five Year	Ten Year	Incept	Date
SSgA Stable Fixed Income	1.1	4.3	4.0	4.1	4.6	4.7	*3/31/95*
Internal Bond Fund	1.4	5.1	1.8	3.7	5.1	5.4	*3/31/95*
S&P 500 Equity Fund	0.6	11.5	9.7	5.9	7.7	10.5	*3/31/95*
S&P 500 Index	0.7	11.9	10.1	6.3	8.2	11.6	
Value Added	-0.1	-0.4	-0.4	-0.4	-0.5	-0.9	
Brown Capital Small Cap Fund	8.9	8.3	8.4	2.0	11.1	10.6	*3/31/95*
Large Cap Growth Fund Series	1.7	10.8	9.1	4.7	3.4	7.2	*3/31/95*
SSgA Russell 2000 Fund	1.9	5.2	11.5	10.3	-.-	8.2	*6/30/99*
Russell 2000 Index	2.0	5.9	12.0	10.9	-.-	8.8	
Value Added	-0.1	-0.7	-0.5	-0.6	-.-	-0.6	
International Growth Opp. Series	4.0	20.0	17.7	11.6	5.7	5.1	*3/31/95*
Life Solutions Income and Growth	1.4	8.0	6.1	5.8	5.8	6.7	*3/31/95*
Life Solutions Balanced Growth	1.6	9.6	8.4	6.9	6.8	8.0	*3/31/95*
Life Solutions Growth	1.6	10.7	10.1	7.4	6.4	7.1	*3/31/95*
Internal Money Market Fund	1.1	4.6	2.8	2.0	3.0	3.2	*3/31/95*
Insured Money Market	0.1	0.2	0.2	0.4	1.6	1.6	*9/30/96*
Indices:							
Lehman Treasury Index	1.5%	5.9%	2.6%	5.1%	6.2%		
Russell 2000 Index	2.0	5.9	12.0	10.9	10.2		
MSCI EAFE Index (N)	4.1	20.2	19.8	15.8	8.3		
Standard & Poor's 500	0.7	11.9	10.1	6.3	8.2		
91-Day Treasury Bill	1.3	5.1	3.4	2.6	*3.8*		

CalPERS Peace Officers & Fire Fighters Defined Contribution Plan Account
Periods Ended March 31, 2007

	Qtr	One Year	Three Year	Five Year	Incept	Date
SSgA Balanced Growth Fund	1.5%	9.3%	8.1%	6.6%	3.7%	6/30/99

APPENDIX for Supplemental

CalPERS 457 Program Custom Funds for the City of Anaheim

Periods Ended March 31, 2007

	Qtr	One Year	Three Year	Five Year	Ten Year	Incept	Date
SSgA PAR	1.1%	4.6%	4.2%	4.3%	5.0%	5.1%	*3/31/95*
Western Asset Core Plus Fund	1.6	7.8	-.-	-.-	-.-	5.7	*9/30/05*
SSgA Bond Market Fund	1.4	6.5	-.-	-.-	-.-	4.2	*9/30/05*
CalPERS S&P 500 Index Fund	0.6	11.8	10.0	6.2	8.1	10.9	*3/31/95*
Smith Barney Appreciation Fund	-0.5	9.5	-.-	-.-	-.-	10.3	*9/30/05*
American Beacon Large Cap Value	1.2	14.8	-.-	-.-	-.-	14.0	*9/30/05*
T. Rowe Price Growth Stock Fund	0.7	10.3	-.-	-.-	-.-	12.5	*9/30/05*
SSgA Mid Small Cap Fund	5.8	8.3	-.-	-.-	-.-	13.2	*9/30/05*
Goldman Sachs Mid Cap Value	4.8	14.6	-.-	-.-	-.-	14.5	*9/30/05*
Munder Mid Cap Fund	5.2	5.9	-.-	-.-	-.-	11.4	*9/30/05*
SSgA Russell 2000 Fund	1.9	5.3	-.-	-.-	-.-	13.7	*9/30/05*
Russell 2000 Index	2.0	5.9	-.-	-.-	-.-	14.2	
Value Added	-0.1	-0.6	-.-	-.-	-.-	-0.5	
Smith Barney Small Cap Value	1.8	4.7	-.-	-.-	-.-	10.1	*9/30/05*
Salomon SC Growth Fund	2.0	0.1	-.-	-.-	-.-	4.6	*9/30/05*
SSgA MSCI EAFE Fund	4.0	20.0	-.-	-.-	-.-	22.9	*9/30/05*
MSCI EAFE	4.1	20.2	-.-	-.-	-.-	23.3	
Value Added	-0.1	-0.2	-.-	-.-	-.-	-0.4	
SSgA International Stock Selection	3.3	22.7	-.-	-.-	-.-	23.0	*9/30/05*
SSgA Age Based 2010	1.0	8.0	-.-	-.-	-.-	*6.5*	*9/30/05*
SSgA Age Based 2020	1.5	10.2	-.-	-.-	-.-	*9.6*	*9/30/05*
SSgA Age Based 2030	1.8	11.3	-.-	-.-	-.-	*11.6*	*9/30/05*
SSgA Age Based 2040	2.0	12.0	-.-	-.-	-.-	*14.2*	*9/30/05*

APPENDIX for PERF

External Manager Performance Review
Domestic Equity - Core

Active External Mainstream Mgrs	Market Value 4.4	Qtr 1.3%	1 Year 11.8%	3 Year 10.6%	5 Year 7.3%	Incept. 5.6%	Date 6/98
Domestic External Core							
Smith Asset Large Cap (MDP)	**0.2**	3.6%	8.4%	11.8%	-.-%	12.9%	12/03
Custom Benchmark		0.7%	11.9%	10.1%	-.-%	9.8%	
Value Added		2.9%	-3.5%	1.7%	-.-%	3.1%	
Performance Objective		1.2%	13.9%	12.1%	-.-%	11.8%	
Value Added		2.4%	-5.5%	-0.3%	-.-%	1.1%	

External Manager Performance Review (continued)
Domestic Equity – Growth

Active External Mgrs	Market Value 4.4	Qtr 1.3%	1 Year 11.8%	3 Year 10.6%	5 Year 7.3%	Incept. 5.6%	Date 6/98
Domestic External Growth							
Geewax Terker	**0.5**	2.1%	0.7%	6.5%	3.2%	0.2%	6/98
Custom Benchmark		1.3%	7.1%	6.9%	3.4%	0.6%	
Value Added		0.8%	-6.4%	-0.4%	-0.2%	-0.4%	
Performance Objective		1.6%	8.4%	8.2%	4.7%	1.8%	
Value Added		0.5%	-7.7%	-1.7%	-1.5%	-1.6%	
Stux (MDP)	**0.3**	1.6%	12.6%	10.5%	-.-%	10.5%	3/04
Custom Benchmark		1.2%	11.9%	10.7%	-.-%	10.7%	
Value Added		0.4%	0.7%	-0.2%	-.-%	-0.2%	
Performance Objective		1.6%	13.4%	12.2%	-.-%	12.2%	
Value Added		0.0%	-0.8%	-1.7%	-.-%	-1.7%	
Marvin & Palmer Large Cap Growth	**0.5**	-0.3%	-.-%	-.-%	-.-%	-0.3%	12/06
Custom Benchmark		1.1%	-.-%	-.-%	-.-%	1.1%	
Value Added		-1.4%	-.-%	-.-%	-.-%	-1.4%	
Performance Objective		1.5%	-.-%	-.-%	-.-%	1.5%	
Value Added		-1.8%	-.-%	-.-%	-.-%	-1.8%	
Jacobs Levy Large Cap Growth	**0.5**	1.0%	-.-%	-.-%	-.-%	1.0%	12/06
Custom Benchmark		1.1%	-.-%	-.-%	-.-%	1.1%	
Value Added		-0.1%	-.-%	-.-%	-.-%	-0.1%	
Performance Objective		1.5%	-.-%	-.-%	-.-%	1.5%	
Value Added		-0.5%	-.-%	-.-%	-.-%	-0.5%	
Turner Large Cap Growth	**0.5**	2.5%	-.-%	-.-%	-.-%	2.5%	12/06
Custom Benchmark		1.1%	-.-%	-.-%	-.-%	1.1%	
Value Added		1.4%	-.-%	-.-%	-.-%	1.4%	
Performance Objective		1.5%	-.-%	-.-%	-.-%	1.5%	
Value Added		1.0%	-.-%	-.-%	-.-%	1.0%	
Rigel - Large Growth (MDP)	**0.2**	1.6%	1.5%	8.3%	-.-%	8.7%	12/03
Custom Benchmark		1.2%	7.1%	7.0%	-.-%	6.7%	
Value Added		0.4%	-5.6%	1.3%	-.-%	2.0%	
Performance Objective		1.7%	9.1%	9.0%	-.-%	8.7%	
Value Added		-0.1%	-7.6%	-0.7%	-.-%	0.0%	

External Manager Performance Review (continued)
Domestic Equity – Value

Active External Mainstream Mgrs	Market Value 4.4	Qtr 1.3%	1 Year 11.8%	3 Year 10.6%	5 Year 7.3%	Incept. 5.6%	Date 6/98
Domestic External Value							
Denali Advisors (MDP)	**0.2**	2.6%	14.3%	15.3%	9.5%	8.2%	6/01
Custom Benchmark		1.4%	15.9%	13.9%	10.2%	8.7%	
Value Added		1.2%	-1.6%	1.4%	-0.7%	-0.5%	
Performance Objective		1.9%	17.9%	15.9%	12.2%	10.7%	
Value Added		0.7%	-3.6%	-0.6%	-2.7%	-2.5%	
Alliance Bernstein	**0.8**	-0.4%	16.5%	14.1%	10.4%	12.9%	9/04
Custom Benchmark		1.1%	13.6%	13.7%	10.8%	9.0%	
Value Added		-1.5%	2.9%	0.4%	-0.4%	3.9%	
Performance Objective		1.4%	14.9%	14.9%	12.0%	10.3%	
Value Added		-1.8%	1.6%	-0.8%	-1.6%	2.6%	
The Boston Company	**0.8**	2.1%	16.7%	15.2%	11.1%	9.4%	6/98
Custom Benchmark		1.1%	12.6%	12.8%	10.2%	8.1%	
Value Added		1.0%	4.1%	2.4%	0.9%	1.3%	
Performance Objective		1.4%	13.8%	14.0%	11.5%	9.3%	
Value Added		0.7%	2.9%	1.2%	-0.4%	0.1%	

External Manager Performance Review (continued)
Domestic Equity – Value cont'd

Active External Mainstream Mgrs	Market Value 4.4	Qtr 1.3%	1 Year 11.8%	3 Year 10.6%	5 Year 7.3%	Incept. 5.6%	Date 6/98
Domestic External Value cont'd							
Pzena	**0.8**	2.0%	15.2%	14.0%	13.8%	17.6%	9/00
Custom Benchmark		1.1%	11.7%	14.0%	12.3%	12.2%	
Value Added		0.9%	3.5%	0.0%	1.5%	5.4%	
Performance Objective		1.4%	13.0%	15.2%	13.6%	13.5%	
Value Added		0.6%	2.2%	-1.2%	0.2%	4.1%	
Shenandoah (MDP)	**0.2**	3.9%	10.5%	13.1%	10.8%	11.0%	3/01
Custom Benchmark		5.8%	8.4%	13.4%	10.7%	12.0%	
Value Added		-1.9%	2.1%	-0.3%	0.1%	-1.0%	
Performance Objective		6.3%	10.4%	15.4%	12.7%	14.0%	
Value Added		-2.4%	0.1%	-2.3%	-1.9%	-3.0%	
Smith Asset Small Cap (MDP)	**0.1**	2.7%	1.5%	12.3%	-.-%	13.4%	12/03
Custom Benchmark		4.0%	5.7%	11.9%	-.-%	13.0%	
Value Added		-1.3%	-4.2%	0.4%	-.-%	0.4%	
Performance Objective		4.7%	8.2%	14.4%	-.-%	15.5%	
Value Added		-2.0%	-6.7%	-2.1%	-.-%	-2.1%	

External Manager Performance Review (continued)
Domestic Equity – Enhanced

Total Domestic Ext. Enhanced	Market Value 8.2	Qtr 1.1%	1 Year 11.0%	3 Year -.-%	5 Year -.-%	Incept. 12.9%	Date 9/04
Atlantic Asset Management	**0.4**	0.5%	11.7%	-.-%	-.-%	8.7%	12/04
Custom Benchmark		0.7%	11.9%	-.-%	-.-%	9.4%	
Value Added		-0.2%	-0.2%	-.-%	-.-%	-0.7%	
Performance Objective		0.9%	12.9%	-.-%	-.-%	10.4%	
Value Added		-0.4%	-1.2%	-.-%	-.-%	-1.7%	
Barclays Global Investors	**1.2**	0.2%	10.2%	-.-%	-.-%	12.9%	9/05
Custom Benchmark		1.1%	11.3%	-.-%	-.-%	12.1%	
Value Added		-0.9%	-1.1%	-.-%	-.-%	0.8%	
Performance Objective		1.4%	12.3%	-.-%	-.-%	13.1%	
Value Added		-1.2%	-2.1%	-.-%	-.-%	-0.2%	
Franklin Portfolio Associates	**1.1**	1.2%	13.1%	-.-%	-.-%	13.5%	9/04
Custom Benchmark		1.1%	11.3%	-.-%	-.-%	12.7%	
Value Added		0.1%	1.8%	-.-%	-.-%	0.8%	
Performance Objective		1.4%	12.3%	-.-%	-.-%	13.7%	
Value Added		-0.2%	0.8%	-.-%	-.-%	-0.2%	
Golden Capital	**0.8**	-.-%	-.-%	-.-%	-.-%	-.-%	3/07
Custom Benchmark		-.-%	-.-%	-.-%	-.-%	-.-%	
Value Added		-.-%	-.-%	-.-%	-.-%	-.-%	
Performance Objective		-.-%	-.-%	-.-%	-.-%	-.-%	
Value Added		-.-%	-.-%	-.-%	-.-%	-.-%	
Goldman Sachs Enhanced	**0.5**	1.4%	1.4%	-.-%	-.-%	12.0%	3/05
Custom Benchmark		2.2%	5.4%	-.-%	-.-%	15.1%	
Value Added		-0.8%	-4.0%	-.-%	-.-%	-3.1%	
Performance Objective		2.6%	7.1%	-.-%	-.-%	16.9%	
Value Added		-1.2%	-5.7%	-.-%	-.-%	-4.9%	
INTECH	**1.2**	2.4%	10.9%	-.-%	-.-%	13.6%	9/04
Custom Benchmark		1.1%	11.3%	-.-%	-.-%	12.7%	
Value Added		1.3%	-0.4%	-.-%	-.-%	0.9%	
Performance Objective		1.4%	12.3%	-.-%	-.-%	13.7%	
Value Added		1.0%	-1.4%	-.-%	-.-%	-0.1%	
Piedmont	**0.1**	-.-%	-.-%	-.-%	-.-%	-.-%	3/07
Custom Benchmark		-.-%	-.-%	-.-%	-.-%	-.-%	
Value Added		-.-%	-.-%	-.-%	-.-%	-.-%	
Performance Objective		-.-%	-.-%	-.-%	-.-%	-.-%	
Value Added		-.-%	-.-%	-.-%	-.-%	-.-%	
Quantitative Management Associates	**1.1**	1.4%	12.7%	-.-%	-.-%	13.2%	9/04
Custom Benchmark		0.4%	11.4%	-.-%	-.-%	11.9%	
Value Added		1.0%	1.3%	-.-%	-.-%	1.3%	
Performance Objective		0.6%	12.4%	-.-%	-.-%	12.9%	
Value Added		0.8%	0.3%	-.-%	-.-%	0.3%	
Smith Breeden	**0.7**	0.6%	11.9%	-.-%	-.-%	9.4%	12/04
Custom Benchmark		0.7%	11.9%	-.-%	-.-%	9.4%	
Value Added		-0.1%	0.0%	-.-%	-.-%	0.0%	
Performance Objective		0.9%	12.9%	-.-%	-.-%	10.4%	
Value Added		-0.3%	-1.0%	-.-%	-.-%	-1.0%	

External Manager Performance Review (continued)
Domestic Equity – Enhanced cont'd

Total Domestic Ext. Enhanced	Market Value 8.2	Qtr 1.1%	1 Year 11.0%	3 Year -.-%	5 Year -.-%	Incept. 12.9%	Date 9/04
T. Rowe Price	**0.7**	0.6%	11.9%	-.-%	-.-%	11.9%	3/06
Custom Benchmark		0.4%	11.4%	-.-%	-.-%	11.4%	
Value Added		0.2%	0.5%	-.-%	-.-%	0.5%	
Performance Objective		0.7%	12.6%	-.-%	-.-%	12.6%	
Value Added		-0.1%	-0.7%	-.-%	-.-%	-0.7%	
WAMCO	**0.7**	0.8%	12.5%	-.-%	-.-%	12.6%	9/04
Custom Benchmark		0.7%	11.9%	-.-%	-.-%	12.3%	
Value Added		0.1%	0.6%	-.-%	-.-%	0.3%	
Performance Objective		0.9%	12.9%	-.-%	-.-%	13.3%	
Value Added		-0.1%	-0.4%	-.-%	-.-%	-0.7%	

External Manager Performance Review (continued)
Domestic Equity – MDP [72]

	Market Value	Qtr	1 Year	3 Year	5 Year	Incept.	Date
Total Domestic MDP	**1.2**	**2.1%**	**7.6%**	**10.1%**	**8.2%**	**4.7%**	**12/00**
Total Domestic MDP Ventures	**0.0**	**235.1%**	**846.5%**	**198.3%**	**90.7%**	**71.3%**	**3/01**
Rigel - Large Growth (MDP)	**0.2**	1.6%	1.5%	8.3%	-.-%	8.7%	12/03
Custom Benchmark		1.2%	7.1%	7.0%	-.-%	6.7%	
Value Added		0.4%	-5.6%	1.3%	-.-%	2.0%	
Performance Objective		1.7%	9.1%	9.0%	-.-%	8.7%	
Value Added		-0.1%	-7.6%	-0.7%	-.-%	0.0%	
Stux (MDP)	**0.3**	1.6%	12.6%	10.5%	-.-%	10.5%	3/04
Custom Benchmark		1.2%	11.9%	10.7%	-.-%	10.7%	
Value Added		0.4%	0.7%	-0.2%	-.-%	-0.2%	
Performance Objective		1.6%	13.4%	12.2%	-.-%	12.2%	
Value Added		0.0%	-0.8%	-1.7%	-.-%	-1.7%	

[72] The MDP managers are listed by style elsewhere in this appendix.

External Manager Performance Review (continued)
Domestic Equity – MDP cont'd[73]

Total Domestic MDP	Market Value 1.2	Qtr 2.1%	1 Year 7.6%	3 Year 10.1%	5 Year 8.2%	Incept. 4.7%	Date 12/00
Total Domestic MDP Ventures	**0.0**	**235.1%**	**846.5%**	**198.3%**	**90.7%**	**71.3%**	**3/01**
Denali Advisors (MDP)	**0.2**	2.6%	14.3%	15.3%	9.5%	8.2%	6/01
Custom Benchmark		1.4%	15.9%	13.9%	10.2%	8.7%	
Value Added		1.2%	-1.6%	1.4%	-0.7%	-0.5%	
Performance Objective		1.9%	17.9%	15.9%	12.2%	10.7%	
Value Added		0.7%	-3.6%	-0.6%	-2.7%	-2.5%	
Shenandoah (MDP)	**0.2**	3.9%	10.5%	13.1%	10.8%	11.0%	3/01
Custom Benchmark		5.8%	8.4%	13.4%	10.7%	12.0%	
Value Added		-1.9%	2.1%	-0.3%	0.1%	-1.0%	
Performance Objective		6.3%	10.4%	15.4%	12.7%	14.0%	
Value Added		-2.4%	0.1%	-2.3%	-1.9%	-3.0%	
Smith Asset Small Cap (MDP)	**0.1**	2.7%	1.5%	12.3%	-.-%	13.4%	12/03
Custom Benchmark		4.0%	5.7%	11.9%	-.-%	13.0%	
Value Added		-1.3%	-4.2%	0.4%	-.-%	0.4%	
Performance Objective		4.7%	8.2%	14.4%	-.-%	15.5%	
Value Added		-2.0%	-6.7%	-2.1%	-.-%	-2.1%	

[73] The MDP managers are listed by style elsewhere in this appendix.

External Manager Performance Review (continued)
Domestic Equity – Corporate Governance

	Market Value	Qtr	1 Year	3 Year	5 Year	Incept.	Date
Total Domestic Corporate Governance	**2.8**	**4.7%**	**12.7%**	**12.2%**	**14.2%**	**20.7%**	**12/98**
Breeden Partners	**0.3**	2.9%	-.-%	-.-%	-.-%	19.4%	6/06
Custom Benchmark		0.6%	-.-%	-.-%	-.-%	13.4%	
Value Added		2.3%	-.-%	-.-%	-.-%	6.0%	
Internal Relational	**0.5**	5.1%	19.1%	23.9%	-.-%	26.5%	12/02
Custom Benchmark		1.4%	10.8%	10.6%	-.-%	15.0%	
Value Added		3.7%	8.3%	13.3%	-.-%	11.5%	
New Mountain Capital	**0.2**	0.8%	4.4%	-.-%	-.-%	6.1%	12/05
Custom Benchmark		0.6%	11.8%	-.-%	-.-%	13.0%	
Value Added		0.2%	-7.4%	-.-%	-.-%	-6.9%	
Internal New Mountain Capital	**0.1**	10.6%	-.-%	-.-%	-.-%	10.6%	12/2006
Custom Benchmark		0.6%	-.-%	-.-%	-.-%	0.6%	
Value Added		10.0%	-.-%	-.-%	-.-%	10.0%	
Relational Investors	**1.3**	6.8%	16.0%	11.5%	14.0%	20.5%	12/98
Custom Benchmark		0.7%	11.9%	10.1%	6.3%	3.4%	
Value Added		6.1%	4.1%	1.4%	7.7%	17.1%	
Shamrock Partners	**0.1**	-3.1%	-14.7%	-.-%	-.-%	11.9%	3/05
Custom Benchmark		2.0%	5.9%	-.-%	-.-%	15.4%	
Value Added		-5.1%	-20.6%	-.-%	-.-%	-3.5%	
Blum Strategic Partners III	**0.1**	2.5%	7.6%	-.-%	-.-%	11.1%	9/05
Custom Benchmark		1.9%	8.0%	-.-%	-.-%	8.0%	
Value Added		0.6%	-0.4%	-.-%	-.-%	3.1%	

RM ARS–Fund of Funds

	Market Value	Qtr	1 Year	3 Year	5 Year
Total RM ARS Program	**4.9**	**3.5%**	**11.1%**	**10.3%**	**9.3%**
47 Degrees North Capital Fund of Funds	**0.1**	-.-%	-.-%	-.-%	-.-%
Ermitage European Fund of Funds	**0.1**	2.9%	-.-%	-.-%	-.-%
Europanel European Fund of Funds	**0.1**	2.5%	-.-%	-.-%	-.-%
KBC Asian Fund of Funds	**0.2**	2.9%	6.2%	-.-%	-.-%
SPARX Asian Fund of Funds	**0.1**	2.2%	5.0%	-.-%	-.-%
UBS European Fund of Funds	**0.2**	4.0%	-.-%	-.-%	-.-%
Vision Asian Fund of Funds	**0.2**	1.1%	2.6%	-.-%	-.-%

External Manager Performance Review (continued)
Domestic Equity – Environmental

	Market Value	Qtr	1 Year	3 Year	5 Year	Incept.	Date
Total Environmental	**0.3**	**1.3%**	**8.9%**	**-.-%**	**-.-%**	**9.9%**	**3/05**
New Amsterdam Partners	**0.1**	1.3%	5.4%	-.-%	-.-%	5.4%	3/06
Custom Benchmark		1.1%	11.3%	-.-%	-.-%	11.3%	
Value Added		0.2%	-5.9%	-.-%	-.-%	-5.9%	
SSgA Environmental	**0.1**	1.7%	-.-%	-.-%	-.-%	14.6%	6/06
Custom Benchmark		0.4%	-.-%	-.-%	-.-%	13.1%	
Value Added		1.3%	-.-%	-.-%	-.-%	1.5%	
AXARosenberg	**0.1**	1.1%	9.5%	-.-%	-.-%	9.5%	3/06
Custom Benchmark		1.1%	11.3%	-.-%	-.-%	11.3%	
Value Added		0.0%	-1.8%	-.-%	-.-%	-1.8%	

External Manager Performance Review (continued)
International Equity – Core ACWI

Int'l Active Mainstream	**Market Value** **10.7**	**Qtr** **3.8%**	**1 Year** **19.1%**	**3 Year** **21.1%**	**5 Year** **15.8%**	**Incept.** **8.3%**	**Date** **6/89**
Int'l External Core							
Arrowstreet (Mainstream)	**1.1**	6.6%	20.5%	23.6%	-.-%	30.2%	3/03
Custom Benchmark		3.9%	20.2%	21.1%	-.-%	29.7%	
Value Added		2.7%	0.3%	2.5%	-.-%	0.5%	
Performance Objective		4.4%	22.2%	23.1%	-.-%	31.7%	
Value Added		2.2%	-1.7%	0.5%	-.-%	-1.5%	
Arrowstreet (MDP)	**0.2**	7.0%	20.5%	23.9%	18.6%	9.6%	6/00
Custom Benchmark		3.9%	20.2%	21.1%	17.1%	6.9%	
Value Added		3.1%	0.3%	2.8%	1.5%	2.7%	
Performance Objective		4.4%	22.2%	23.1%	19.1%	8.9%	
Value Added		2.6%	-1.7%	0.8%	-0.5%	0.7%	
Barclays	**1.4**	3.8%	20.6%	-.-%	-.-%	23.7%	9/05
Custom Benchmark		4.0%	20.3%	-.-%	-.-%	23.3%	
Value Added		-0.2%	0.3%	-.-%	-.-%	0.4%	
Performance Objective		4.3%	21.8%	-.-%	-.-%	24.8%	
Value Added		-0.5%	-1.2%	-.-%	-.-%	-1.1%	
Robeco USA	**0.6**	2.9%	18.2%	21.4%	15.9%	16.1%	9/01
Custom Benchmark		3.9%	20.2%	21.1%	17.1%	17.4%	
Value Added		-1.0%	-2.0%	0.3%	-1.2%	-1.3%	
Performance Objective		4.4%	22.2%	23.1%	19.1%	19.4%	
Value Added		-1.5%	-4.0%	-1.7%	-3.2%	-3.3%	
Acadian Asset Management	**1.3**	3.9%	19.5%	-.-%	-.-%	24.8%	12/05
Custom Benchmark		3.9%	20.2%	-.-%	-.-%	24.7%	
Value Added		0.0%	-0.7%	-.-%	-.-%	0.1%	
Performance Objective		4.4%	22.2%	-.-%	-.-%	26.7%	
Value Added		-0.5%	-2.7%	-.-%	-.-%	-1.9%	
AQR Capital Management	**1.2**	3.1%	18.1%	-.-%	-.-%	23.3%	12/05
Custom Benchmark		4.0%	20.3%	-.-%	-.-%	24.7%	
Value Added		-0.9%	-2.2%	-.-%	-.-%	-1.4%	
Performance Objective		4.5%	22.3%	-.-%	-.-%	26.7%	
Value Added		-1.4%	-4.2%	-.-%	-.-%	-3.4%	
QMA International	**1.0**	3.2%	20.3%	-.-%	-.-%	20.3%	3/06
Custom Benchmark		4.0%	20.3%	-.-%	-.-%	20.3%	
Value Added		-0.8%	0.0%	-.-%	-.-%	0.0%	
Performance Objective		4.2%	21.3%	-.-%	-.-%	21.3%	
Value Added		-1.0%	-1.0%	-.-%	-.-%	-1.0%	
Baring Int'l Investments	**0.9**	4.1%	19.5%	-.-%	-.-%	24.2%	12/05
Custom Benchmark		4.0%	20.3%	-.-%	-.-%	24.7%	
Value Added		0.1%	-0.8%	-.-%	-.-%	-0.5%	
Performance Objective		4.3%	21.8%	-.-%	-.-%	26.2%	
Value Added		-0.2%	-2.3%	-.-%	-.-%	-2.0%	

External Manager Performance Review (continued)
International Equity – Core Europe

Int'l Active Mainstream	Market Value 10.7	Qtr 3.8%	1 Year 19.1%	3 Year 21.1%	5 Year 15.8%	Incept. 8.3%	Date 6/89
Int'l External Core Europe							
AXA Rosenberg	**1.4**	3.5%	25.3%	24.3%	18.2%	13.9%	3/01
Custom Benchmark		3.9%	25.3%	22.4%	16.2%	12.2%	
Value Added		-0.4%	0.0%	1.9%	2.0%	1.7%	
Performance Objective		4.4%	27.3%	24.4%	18.2%	14.2%	
Value Added		-0.9%	-2.0%	-0.1%	0.0%	-0.3%	
Capital Guardian	**0.8**	3.5%	26.0%	21.8%	15.8%	12.5%	3/01
Custom Benchmark		3.9%	25.3%	22.4%	16.2%	12.2%	
Value Added		-0.4%	0.7%	-0.6%	-0.4%	0.3%	
Performance Objective		4.4%	27.3%	24.4%	18.2%	14.2%	
Value Added		-0.9%	-1.3%	-2.6%	-2.4%	-1.7%	

International Equity – Environmental

Int'l Environmental	Market Value 0.2	Qtr 4.5%	1 Year 23.3%	3 Year -.-%	5 Year -.-%	Incept. 23.3%	Date 3/06
Int'l Environmental							
SSgA Environmental	**0.1**	4.4%	25.8%	-.-%	-.-%	25.8%	3/06
Custom Benchmark		4.0%	20.3%	-.-%	-.-%	20.3%	
Value Added		0.4%	5.5%	-.-%	-.-%	5.5%	
Brandywine	**0.1**	4.6%	-.-%	-.-%	-.-%	20.7%	6/06
Custom Benchmark		4.0%	-.-%	-.-%	-.-%	19.3%	
Value Added		0.6%	-.-%	-.-%	-.-%	1.4%	

External Manager Performance Review (continued)
International Equity – Growth & Value

Int'l Active Mainstream	Market Value 10.7	Qtr 3.8%	1 Year 19.1%	3 Year 21.1%	5 Year 15.8%	Incept. 8.3%	Date 6/89
Int'l External Growth							
Alliance Large Cap Growth	**0.6**	3.8%	13.6%	-.-%	-.-%	19.4%	9/05
Custom Benchmark		3.9%	20.2%	-.-%	-.-%	23.7%	
Value Added		-0.1%	-6.6%	-.-%	-.-%	-4.3%	
Performance Objective		4.4%	22.2%	-.-%	-.-%	25.7%	
Value Added		-0.6%	-8.6%	-.-%	-.-%	-6.3%	
New Star Institutional Managers	**0.7**	5.1%	18.5%	-.-%	-.-%	20.2%	9/05
Custom Benchmark		3.9%	20.2%	-.-%	-.-%	23.7%	
Value Added		1.2%	-1.7%	-.-%	-.-%	-3.5%	
Performance Objective		4.4%	22.2%	-.-%	-.-%	25.7%	
Value Added		0.7%	-3.7%	-.-%	-.-%	-5.5%	
Baillie Gifford	**1.2**	5.2%	17.6%	23.1%	17.4%	13.6%	6/01
Custom Benchmark		3.9%	20.2%	21.1%	17.1%	13.4%	
Value Added		1.3%	-2.6%	2.0%	0.3%	0.2%	
Performance Objective		4.4%	22.2%	23.1%	19.1%	15.4%	
Value Added		0.8%	-4.6%	0.0%	-1.7%	-1.8%	

External Manager Performance Review (continued)
International Equity – Growth & Value cont'd

Int'l Active Mainstream	Market Value 10.7	Qtr 3.8%	1 Year 19.1%	3 Year 21.1%	5 Year 15.8%	Incept. 8.3%	Date 6/89
Int'l External Value ACWI							
Grantham, Mayo, Van Otterloo	**1.1**	3.6%	20.5%	21.1%	19.0%	16.3%	6/01
Custom Benchmark		3.9%	20.2%	21.1%	17.1%	13.4%	
Value Added		-0.3%	0.3%	0.0%	1.9%	2.9%	
Performance Objective		4.5%	22.6%	23.6%	19.5%	15.8%	
Value Added		-0.9%	-2.1%	-2.5%	-0.5%	0.5%	
Northroad (MDP)	**0.2**	2.2%	17.8%	17.8%	-.-%	15.8%	12/03
Custom Benchmark		4.0%	20.3%	20.6%	-.-%	20.4%	
Value Added		-1.8%	-2.5%	-2.8%	-.-%	-4.6%	
Performance Objective		4.5%	22.3%	22.6%	-.-%	22.4%	
Value Added		-2.3%	-4.5%	-4.8%	-.-%	-6.6%	
Pyrford (MDP)	**0.2**	3.1%	23.4%	18.9%	14.3%	13.8%	12/01
Custom Benchmark		4.0%	20.3%	20.6%	16.7%	16.0%	
Value Added		-0.9%	3.1%	-1.7%	-2.4%	-2.2%	
Performance Objective		4.5%	22.3%	22.6%	18.7%	18.0%	
Value Added		-1.4%	1.1%	-3.7%	-4.4%	-4.2%	
Alliance Strategic Value	**0.7**	1.8%	21.4%	-.-%	-.-%	28.3%	9/05
Custom Benchmark		3.9%	20.2%	-.-%	-.-%	23.7%	
Value Added		-2.1%	1.2%	-.-%	-.-%	4.6%	
Performance Objective		4.4%	22.2%	-.-%	-.-%	25.7%	
Value Added		-2.6%	-0.8%	-.-%	-.-%	2.6%	
Int'l External Value Pacific							
Nomura	**1.2**	1.6%	9.6%	16.0%	17.1%	5.6%	9/89
Custom Benchmark		3.6%	12.1%	16.3%	16.6%	1.6%	
Value Added		-2.0%	-2.5%	-0.3%	0.5%	4.0%	
Performance Objective		4.1%	14.1%	18.3%	18.6%	3.6%	
Value Added		-2.5%	-4.5%	-2.3%	-1.5%	2.0%	

External Manager Performance Review (continued)
International Equity – MDP[74]

	Market Value	Qtr	1 Year	3 Year	5 Year	Incept.	Date
Total Int'l MDP	**0.5**	**4.3%**	**20.5%**	**19.3%**	**14.2%**	**5.3%**	**6/00**
Total Int'l MDP Ventures	**0.0**	**41.8%**	**134.6%**	**67.7%**	**54.6%**	**34.3%**	**6/00**
Arrowstreet (MDP)	**0.2**	7.0%	20.5%	23.9%	18.6%	9.6%	6/00
Custom Benchmark		3.9%	20.2%	21.1%	17.1%	6.9%	
Value Added		3.1%	0.3%	2.8%	1.5%	2.7%	
Performance Objective		4.4%	22.2%	23.1%	19.1%	8.9%	
Value Added		2.6%	-1.7%	0.8%	-0.5%	0.7%	
Northroad (MDP)	**0.2**	2.2%	17.8%	17.8%	-.-%	15.8%	12/03
Custom Benchmark		4.0%	20.3%	20.6%	-.-%	20.4%	
Value Added		-1.8%	-2.5%	-2.8%	-.-%	-4.6%	
Performance Objective		4.5%	22.3%	22.6%	-.-%	22.4%	
Value Added		-2.3%	-4.5%	-4.8%	-.-%	-6.6%	
Pyrford (MDP)	**0.2**	3.1%	23.4%	18.9%	14.3%	13.8%	12/01
Custom Benchmark		4.0%	20.3%	20.6%	16.7%	16.0%	
Value Added		-0.9%	3.1%	-1.7%	-2.4%	-2.2%	
Performance Objective		4.5%	22.3%	22.6%	18.7%	18.0%	
Value Added		-1.4%	1.1%	-3.7%	-4.4%	-4.2%	

[74] The MDP managers are also listed by style elsewhere in this appendix.

International Equity – Emerging Markets

Int'l Emerging Markets	**Market Value**	**Qtr**	**1 Year**	**3 Year**	**5 Year**	**Incept.**	**Date**
	5.2	**3.7%**	**18.0%**	**30.7%**	**-.-%**	**36.5%**	**9/02**
AllianceBernstein	**1.7**	4.1%	15.6%	32.8%	-.-%	32.9%	9/02
Custom Benchmark		3.7%	19.8%	27.6%	-.-%	26.8%	
Value Added		0.4%	-4.2%	5.2%	-.-%	6.1%	
Performance Objective		4.4%	22.3%	30.1%	-.-%	29.3%	
Value Added		-0.3%	-6.7%	2.7%	-.-%	3.6%	
DFA	**1.8**	5.3%	24.2%	30.2%	-.-%	29.0%	9/02
Custom Benchmark		3.7%	19.8%	27.6%	-.-%	26.8%	
Value Added		1.6%	4.4%	2.6%	-.-%	2.2%	
Performance Objective		4.2%	21.8%	29.6%	-.-%	28.8%	
Value Added		1.1%	2.4%	0.6%	-.-%	0.2%	
Genesis	**1.7**	1.8%	14.2%	29.1%	-.-%	25.0%	9/02
Custom Benchmark		3.7%	19.8%	27.6%	-.-%	26.8%	
Value Added		-1.9%	-5.6%	1.5%	-.-%	-1.8%	
Performance Objective		4.4%	22.3%	30.1%	-.-%	29.3%	
Value Added		-2.6%	-8.1%	-1.0%	-.-%	-4.3%	

External Manager Performance Review (continued)
International Equity – Corporate Governance

Total Int'l Corporate Governance	**Market Value** **2.2**	**Qtr** **0.4%**	**1 Year** **14.2%**	**3 Year** **19.3%**	**5 Year** **13.9%**	**Date** **12/98**
Governance for Owners	**0.2**	10.2%	-.-%	-.-%	-.-%	12/06
Custom Benchmark		3.8%	-.-%	-.-%	-.-%	
Value Added		6.4%	-.-%	-.-%	-.-%	
Hermes UK Focus	**0.4**	3.0%	38.1%	19.2%	16.2%	12/99
Custom Benchmark		2.9%	11.1%	17.1%	13.1%	
Value Added		0.1%	27.0%	2.1%	3.1%	
Hermes Europe Focus	**0.3**	4.9%	27.6%	31.9%	-.-%	9/03
Custom Benchmark		4.4%	27.1%	24.6%	-.-%	
Value Added		0.5%	0.5%	7.3%	-.-%	
Knight Vinke	**0.1**	-2.3%	25.2%	33.6%	-.-%	12/03
Custom Benchmark		3.8%	25.9%	23.1%	-.-%	
Value Added		-6.1%	-0.7%	10.5%	-.-%	
Knight Vinke Internal Partners	**0.2**	3.7%	39.6%	-.-%	-.-%	3/06
Custom Benchmark		3.8%	25.9%	-.-%	-.-%	
Value Added		-0.1%	13.7%	-.-%	-.-%	
SPARX Value Creation	**0.4**	-3.8%	-7.5%	14.0%	-.-%	3/03
Custom Benchmark		1.9%	-0.8%	13.6%	-.-%	
Value Added		-5.7%	-6.7%	0.4%	-.-%	
Taiyo Fund	**0.6**	-2.9%	-0.9%	21.3%	-.-%	9/03
Custom Benchmark		1.9%	-0.8%	13.6%	-.-%	
Value Added		-4.8%	-0.1%	7.7%	-.-%	

External Manager Performance Review (continued)
Fixed Income – High Yield

	Market Value	Qtr	1 Year	3 Year	5 Year	10 Year
Total Fixed Income	**54.9**	**1.6%**	**7.8%**	**4.6%**	**7.8%**	**7.5%**
Fixed Income Policy Index		1.4%	7.3%	3.8%	7.2%	7.1%
External High Yield	**0.7**	**3.7%**	**13.8%**	**11.2%**	**12.0%**	**-.-%**
Highland Capital Distressed Fund	**0.2**	5.2%	20.7%	20.5%	-.-%	-.-%
Custom Benchmark		2.4%	11.3%	8.2%	-.-%	-.-%
Value Added		2.8%	9.4%	12.3%	-.-%	-.-%
Nomura	**0.3**	3.2%	11.3%	9.3%	11.0%	-.-%
Custom Benchmark		2.4%	11.3%	8.2%	10.1%	-.-%
Value Added		0.8%	0.0%	1.1%	-.-%	-.-%
PIMCO	**0.3**	2.8%	10.6%	8.6%	10.3%	-.-%
Custom Benchmark		2.4%	11.3%	8.2%	10.1%	-.-%
Value Added		0.4%	-0.7%	0.4%	0.2%	-.-%

Fixed Income – MDP

	Market Value	Qtr	1 Year	3 Year	5 Year	10 Year
DF Manager Development	0.2	**1.6%**	**7.2%**	3.3%	6.6%	-.-%
LM Capital	0.2	1.6%	7.2%	3.3%	6.2%	-.-%
Custom Benchmark		1.5%	6.6%	3.4%	5.4%	-.-%
Value Added		0.1%	0.6%	-0.1%	0.8%	-.-%
Performance Objective		1.7%	7.6%	4.4%	6.4%	-.-%
Value Added		-0.1%	-0.4%	-1.1%	-0.2%	-.-%

External Manager Performance Review (continued)
Fixed Income – External International

	Market Value	Qtr	1 Year	3 Year	5 Year	10 Year
Total Fixed Income	**54.9**	**1.6%**	**7.8%**	**4.6%**	**7.8%**	**7.5%**
Fixed Income Policy Index		**1.4%**	**7.3%**	**3.8%**	**7.2%**	**7.1%**
International Fixed Income	**6.8**	**1.1%**	**7.4%**	**2.8%**	**10.4%**	**5.4%**
Alliance Bernstein	**1.0**	-.-%	-.-%	-.-%	-.-%	-.-%
Custom Benchmark		-.-%	-.-%	-.-%	-.-%	-.-%
Value Added		-.-%	-.-%	-.-%	-.-%	-.-%
Performance Objective		-.-%	-.-%	-.-%	-.-%	-.-%
Value Added		-.-%	-.-%	-.-%	-.-%	-.-%
Brandywine	**0.5**	-.-%	-.-%	-.-%	-.-%	-.-%
Custom Benchmark		-.-%	-.-%	-.-%	-.-%	-.-%
Value Added		-.-%	-.-%	-.-%	-.-%	-.-%
Performance Objective		-.-%	-.-%	-.-%	-.-%	-.-%
Value Added		-.-%	-.-%	-.-%	-.-%	-.-%
Mondrian	**1.0**	-.-%	-.-%	-.-%	-.-%	-.-%
Custom Benchmark		-.-%	-.-%	-.-%	-.-%	-.-%
Value Added		-.-%	-.-%	-.-%	-.-%	-.-%
Performance Objective		-.-%	-.-%	-.-%	-.-%	-.-%
Value Added		-.-%	-.-%	-.-%	-.-%	-.-%
PIMCO	**1.1**	-.-%	-.-%	-.-%	-.-%	-.-%
Custom Benchmark		-.-%	-.-%	-.-%	-.-%	-.-%
Value Added		-.-%	-.-%	-.-%	-.-%	-.-%
Performance Objective		-.-%	-.-%	-.-%	-.-%	-.-%
Value Added		-.-%	-.-%	-.-%	-.-%	-.-%
Rogge	**1.7**	1.0%	7.3%	3.1%	10.8%	-.-%
Custom Benchmark		1.0%	8.3%	2.9%	10.3%	-.-%
Value Added		0.0%	-1.0%	0.2%	0.5%	-.-%
Performance Objective		1.4%	9.8%	4.4%	11.8%	-.-%
Value Added		-0.4%	-2.5%	-1.3%	-1.0%	-.-%
Western	**1.4**	1.1%	7.7%	3.2%	10.6%	-.-%
Custom Benchmark		1.0%	8.3%	2.9%	10.3%	-.-%
Value Added		0.1%	-0.6%	0.3%	0.3%	-.-%
Performance Objective		1.4%	9.8%	4.4%	11.8%	-.-%
Value Added		-0.3%	-2.1%	-1.2%	-1.2%	-.-%

External Manager Performance Review (continued)
Fixed Income - Special Investments

	Market Value	Qtr	1 Year	3 Year	5 Year	10 Year
Special Investments	**0.9**	**1.4%**	**7.9%**	**4.7%**	**6.4%**	**6.2%**
AFL-CIO HIT	0.1	0.5%	5.5%	3.3%	4.8%	6.3%
Equitable CCMF	0.0	2.6%	9.5%	9.1%	8.4%	9.0%
MHLP-BRS	0.8	1.5%	8.2%	4.7%	6.6%	-.-%
U.L.L.I. Co.	0.0	-0.2%	4.5%	7.7%	7.4%	8.5%

Manager Monitoring

Wilshire will rigorously monitor each of CalPERS' externally-managed investment managers and provide quarterly updates and issues in the Executive Summary.

<u>Domestic Equity</u>

Geewax Terker

- The manager has underperformed over the one-year, three-year, and inception time periods. Recent performance has been hurt by both stock and sector selection as the manager is an all cap growth manager. The manager has not changed its process, which Wilshire views favorably. Wilshire met with Geewax during the third quarter and is closely monitoring the performance of this manager.

Shamrock

- The manager has underperformed its benchmark for all time periods. This is a very concentrated portfolio which Wilshire monitors each quarter. A separate memo was sent regarding Wilshire's thoughts on Shamrock. Wilshire will continue to monitor the manager closely.

<u>Int'l Equity</u>

Capital Guardian

- The manager continues to outperform its benchmark since inception. However, recent performance has been behind the benchmark and performance objective due to unrewarded sector selection. Wilshire is closely monitoring the manager.

CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
HYBRID INVESTMENTS MONITORING REPORT
Relational Investors
First Quarter 2007

Investment Type: U.S. Corporate Governance Fund

Inception Date: March 1996

Capital Commitment: $750 million

	Quarter	Since Inception
Contributed Capital:	$135.7 million	$3,004.1 million
Distributed Capital:	$ 51.1 million	$2,551.8 million

Market Value (3/31/07): $ 1,317.9 million

Investment Strategy:

Relational Investors employs a corporate governance strategy aimed at unlocking intrinsic value in underperforming, publicly traded, U.S. companies. When compared to the broader market and industry peers, these companies typically exhibit inferior performance in one or more of the following areas: operations, financial structure, long-term strategy, corporate governance policies or management. Each investment represents a significant percentage of a particular company's outstanding shares, generally 3-10%. Relational Investors then seeks to maximize investment value by initiating contact with the company's management, board of directors and other shareholders to facilitate change.

Summary Analysis:

Number of Investments: 9
Organization: No material changes for the quarter.

Philosophy/Process: No material changes.

Performance Analysis:

Since inception through March 31, 2007, Relational's IRR has outperformed its benchmark, the S&P 500 Index, by 13.36% on an annualized basis. The portfolio also beat its benchmark over the quarter and returned 6.78%. The largest holdings of the portfolio, including Prudential Financial, Baxter, and National Semiconductor, all made positive contribution to portfolio and continue to do well. Relational feels that some of its efforts, particularly with Baxter, is starting to pay off.

CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
HYBRID INVESTMENTS MONITORING REPORT
Relational Investors
First Quarter 2007

Performance Analysis (Continued):

Annualized IRR (%) Since Inception (March 1996)	
Relational	22.22
S&P 500 Index	8.86
Excess Return	*13.36*

Calendar Year Performance (%) As of 3/31/2007									
	YTD	**2006**	**2005**	**2004**	**2003**	**2002**	**2001**	**2000**	**1999**
Relational	6.78	9.29	9.89	16.49	40.77	0.55	7.89	73.70	17.77
S&P 500	0.64	15.81	4.89	10.87	28.69	-22.12	-11.88	-9.12	20.98
Excess Return	*6.14*	*-6.52*	*5.00*	*5.62*	*12.08*	*22.67*	*19.77*	*82.82*	*-3.21*

CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
HYBRID INVESTMENTS MONITORING REPORT
Hermes U.K. Focus
First Quarter 2007

Investment Type: U.K. Corporate Governance Fund

Inception Date: November 1999

Capital Commitment: $200 million

	Quarter	Since Inception
Contributed Capital:	$ 0.0 million	$ 199.9 million
Distributed Capital:	$ 0.0 million	$ 0.0 million

Market Value (3/31/07): $ 425.7 million

Investment Strategy:

Hermes Focus Asset Management (HFAM) employs a corporate governance strategy that seeks to unlock intrinsic value in underperforming, medium-to-large capitalization, publicly traded, U.K. companies. For companies that meet their initial purchase criteria, HLAM identifies areas where value can be improved and recommends strategies for change to the board of directors and company executives. Proposed changes focus on the structure and composition of the board and management, strategic business plans and capital structure. HLAM initially expects to invest in 5-10 companies but intends to be invested in 15 companies as assets grow. Initial positions will range from 1-3% with open market purchases of common stock, however the goal is to have influence over 15-20% of a target company's outstanding shares. All cash balances will be equitized with FTSE 250 futures.

Summary Analysis:

Number of Investments: 13
Organization: John Leach became the chief executive during the quarter. The fund also brought in two new people to boost marketing and client reporting effort.

Philosophy/Process: No material changes.

Performance Analysis:

Since inception through March 31, 2007, the Hermes UK Focus Fund's IRR has outperformed its benchmark, the FTSE All Share Index, by 3.73% on an annualized basis. The engagement process has helped increase market confidence in the management and business prospects of a number of portfolio companies such Galiform and Cable&Wireless. As the market digests the changes being made, Hermes feels a further re-rating of shares will occur.

CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
HYBRID INVESTMENTS MONITORING REPORT
Hermes U.K. Focus
First Quarter 2007

Performance Analysis (Continued):

Annualized IRR (%) Since Inception (November 1999)	
Hermes U.K.	10.79
FTSE All Share Index	7.06
Excess Return	*3.73*

Calendar Year Performance (%) As of 3/31/2007								
	YTD	**2006**	**2005**	**2004**	**2003**	**2002**	**2001**	**2000**
Hermes U.K.	2.96	43.99	0.58	17.72	66.65	-25.72	-6.57	0.03
FTSE All Share	2.91	16.75	13.94	21.02	34.39	-14.47	-15.52	-12.96
Excess Return	*0.05*	*27.24*	*-13.36*	*-3.30*	*32.26*	*-11.25*	*8.95*	*12.99*

CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
HYBRID INVESTMENTS MONITORING REPORT
SPARX Asset Management
First Quarter 2007

Investment Type: Japanese Corporate Governance Fund

Inception Date: January 2003

Capital Commitment: $200 million

	Quarter	Since Inception
Contributed Capital:	$ 1.8 million	$ 636.1 million
Distributed Capital:	$ 101.2 million	$ 444.2 million

Market Value (3/31/07): $ 426.5 million

Investment Strategy:

The SPARX Value Creation Fund targets underperforming or undervalued companies based in Japan with a market capitalization between $300 million and $3 billion. The SPARX Research Platform, which is a research team of ten analysts, will use quantitative and qualitative screens to identify approximately 40 target companies from the SPARX database of 2,500 companies. The Value Creation group then will conduct in-depth research on these target companies by initiating contact with company management. These companies typically exhibit one or more of the following traits: low valuation, potential for balance sheet optimization, or potential for profit improvement. The fund looks to invest in 5-10 companies per year with 5-20% of net asset value dedicated to each investment. It will actively engage and work in partnership with management or major shareholders to unlock the investment's value over a specified period of time. The performance objective for the fund is the Topix Index + 150 basis points.

Summary Analysis:

Number of Investments: 7
Organization: SPARX added seven new employees. Meanwhile, 14 people resigned during the quarter, this includes one fund manager, Ms. Sudi (long only product), and one trader. Others resignations were involved in administrative functions.

Philosophy/Process: No material changes.

Performance Analysis:

Since inception through March 31, 2007, SPARX's IRR has underperformed its benchmark, the Topix Index, by 0.24% on an annualized basis when taking into account incentive fees. The fund continued to struggle by underperforming the benchmark by 6.10% on an IRR basis for the quarter ending a difficult one year span. Sharp, Sprinter and Revolution were significant underperformers for the quarter with double digit losses. SPARX continues to hold a significant cash position for potential private transactions.

Performance Analysis (Continued):

Annualized IRR (%) Since Inception (January 2003)	
SPARX	20.27
Topix Index	20.03
Excess Return	*0.24*

Calendar Year Performance (%) As of 3/31/2007				
	YTD	**2006**	**2005**	**2004**
SPARX	-3.80	-2.59	42.28	19.10
Topix Index	1.94	1.90	44.29	11.23
Excess Return	*-5.74*	*-4.49*	*-2.01*	*7.87*

CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
HYBRID INVESTMENTS MONITORING REPORT
Hermes Europe Focus
First Quarter 2007

Investment Type: European Corporate Governance Fund

Inception Date: August 2003

Capital Commitment: $100 million

	Quarter	Since Inception
Contributed Capital:	$ 0.0 million	$ 100.0 million
Distributed Capital:	$ 0.0 million	$ 0.0 million

Market Value (3/31/07): $ 264.7 million

Investment Strategy:

Hermes Focus Asset Management (HFAM) employs a corporate governance strategy that seeks to unlock intrinsic value in underperforming, medium-to-large capitalization, publicly traded, European ex-U.K. companies. For companies that meet their initial purchase criteria, HLAM identifies areas where value can be improved and recommends strategies for change to the board of directors and company executives. Proposed changes focus on the structure and composition of the board and management, strategic business plans and capital structure. HLAM initially expects to invest in 5-10 companies but intends to be invested in 15 companies as assets grow. Initial positions will range from 1-3% with open market purchases of common stock, however the goal is to have influence over 15-20% of a target company's outstanding shares. All cash balances will be equitized with FTSE Europe ex-U.K. futures.

Summary Analysis:

Number of Investments: 18
Organization: Maarten Wildschut was made an associate director during the quarter.

Philosophy/Process: No material changes.

Performance Analysis:

Since inception through March 31, 2007, the Hermes Europe Focus Fund's IRR has outperformed its benchmark, the FTSE Europe ex-UK Index, by 4.81% on an annualized basis. Hermes feels confident that the engagement process across the portfolio companies are going well, and those that have under-performed are poised to do well going forward. For example, the engagement process for one portfolio company M-Real continue to be intensive and have contributed to the announcement of a re-structuring plan which was well-received by the market.

CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
HYBRID INVESTMENTS MONITORING REPORT
Hermes Europe Focus
First Quarter 2007

Performance Analysis (Continued):

Annualized IRR (%) Since Inception (August 2003)	
Hermes Europe	32.04
FTSE Europe ex-U.K.	27.23
Excess Return	*4.81*

Calendar Year Performance (%) As of 3/31/2007	**YTD**	**2006**	**2005**	**2004**
Hermes Europe	4.91	48.49	17.08	32.89
FTSE Europe ex-U.K.	4.38	36.95	10.95	22.07
Excess Return	*0.53*	*11.54*	*6.13*	*10.82*

CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
HYBRID INVESTMENTS MONITORING REPORT
Taiyo Pacific Partners/WL Ross
First Quarter 2007

Investment Type: Japanese Corporate Governance Fund

Inception Date: July 2003

Capital Commitment: $199.6 million

	Quarter	Since Inception
Contributed Capital:	$ 0.0 million	$ 300.1 million
Distributed Capital:	$ 0.0 million	$ 0.0 million

Market Value (3/31/07): $ 559.1 million

Investment Strategy:

Taiyo Pacific Partners/WL Ross believe that public equity investors in Japan can be rewarded with superior returns by investing in companies that will implement corporate governance improvements. The investment strategy has two elements. First, identify undervalued stocks utilizing Taiyo's asset value and earnings potential analysis. Second, create valuation improvements by means of a three-phase corporate governance strategy. The three phases are: improving transparency and disclosure, improving corporate profitability, and improving shareholder value. Taiyo proposes to use its own proprietary database to identify target companies. Once identification is made, Taiyo's strategy is to be a constructive shareholder with those companies willing to make corporate governance improvements.

Summary Analysis:

Number of Investments: 19
Organization: Taiyo hired one Associate level person during the first quarter. In addition, Mary Ann Winker, previously with Price Waterhouse, joined as CFO during the second quarter.

Philosophy/Process: No material changes.

Performance Analysis:

Since inception through March 31, 2007, Taiyo's IRR has outperformed its benchmark, including hurdle rate, by 7.15% on an annualized basis. For the quarter, the fund underperformed the benchmark by 4.81%, including hurdle rate. The fund's largest holding, TOPCON, had a weak quarter declining 15% on a single day. Even though this position has returned 50% on an IRR basis, Taiyo continues to like to company and has added to its position. Taiyo initiated 5 new positions in the portfolio.

Performance Analysis (Continued):

Annualized IRR (%) Since Inception (July 2003)	
Taiyo	24.50
Topix Index	17.35
Excess Return	*7.15*

Calendar Year Performance (%) As of 3/31/2007	**YTD**	**2006**	**2005**	**2004**
Taiyo	-2.87	9.08	56.46	27.03
Topix Index	1.94	1.90	44.29	11.23
Excess Return	*-4.81*	*7.18*	*12.17*	*15.80*

CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
HYBRID INVESTMENTS MONITORING REPORT
Knight Vinke
First Quarter 2007

Investment Type: European Corporate Governance Fund

Inception Date: September 2003

Capital Commitment: $200 million

	Quarter	Since Inception
Contributed Capital:	$ 38.1 million	$ 363.1 million
Distributed Capital:	$216.2 million	$ 402.9 million

Market Value (3/31/07): $ 106.8 million

Investment Strategy:

Knight Vinke believes that in the absence of effective corporate governance and a truly independent board, the separation of ownership and management can create the opportunity for management to act in its own self interest rather than that of the shareholders. The strategy looks to identify underperforming stocks of companies that are fundamentally strong where redress of the underperformance is possible in a reasonable amount of time. The firm believes that detailed fundamental analysis can identify underperforming companies that have strong operating businesses, but are in need of a corporate finance solution to a factor or factors that specifically is depressing the share price. To identify such companies the firm uses several sources: its own screening process through market information services such as Bloomberg, their own industry knowledge, outside brokers, other institutional shareholders, other corporations, industry manager who may have recently retired, or corporate finance professionals.

Summary Analysis:

Number of Investments: 6
Organization: KV brought in Glen Suarez as an additional key person to work with Eric Knight and Louis Curran on the investment committee. Ted White and Patricia Burgess were hired to open a west coast marketing office.

Philosophy/Process: No material changes.

Performance Analysis:

Since inception through March 31, 2007, Knight Vinke's IRR has outperformed its benchmark, the FTSE All World Europe Index, by 15.67% on an annualized basis. The portfolio has rewarded idiosyncratic risk taken on by Knight Vinke with high levels of out-performance. The current portfolio is exposed to one sector, for example, which will require that KV make the right call on both the company and the sector. KV must continue to execute on every investment because of the lack of diversification found in such a concentrated portfolio.

Performance Analysis (Continued):

Annualized IRR (%) Since Inception (September 2003)	
Knight Vinke	35.84
FTSE All World Europe	20.17
Excess Return	*15.67*

Calendar Year Performance (%) As of 3/31/2007				
	YTD	**2006**	**2005**	**2004**
Knight Vinke	-2.31	51.12	28.08	24.73
FTSE All World Europe	3.76	35.15	10.81	21.51
Excess Return	*-6.07*	*15.97*	*17.27*	*3.22*

CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
HYBRID INVESTMENTS MONITORING REPORT
Shamrock Capital
First Quarter 2007

Investment Type: U.S. Corporate Governance Fund

Inception Date: December 2004

Capital Commitment: $100 million

	Quarter	Since Inception
Contributed Capital:	$ 14.0 million	$ 127.8 million
Distributed Capital:	$ 0.0 million	$ 27.0 million

Market Value (3/31/07): $ 113.7.0 million

Investment Strategy:

Shamrock believes that combining a deep value investment orientation with an activist shareholder approach founded upon best governance practices, results in superior returns for long-term investors. They seek to find underperforming but fundamentally sound businesses, where they can substantially improve shareholder value with their application of good governance practice. They choose to look at companies they can purchase at a significant discount (<40%) to the underlying value and find free cash flow available to owners that typically exceed 10%. Once these criteria are met, Shamrock will only invest if they believe they can persuade the Board and/or management to believe in their activist strategy to make fundamental changes to the governance structure and business. After investing, persistence and careful monitoring is the key to unlocking value.

Summary Analysis:

Number of Investments: 11

Organization: Kent McCammon, Managing Director, is leaving Shamrock to pursue other interests. Chris Kiper, an expert in activist investment in small cap companies joined as a Vice President. Shamrock expects to bring in more people to expand its research coverage.

Philosophy/Process: No material changes.

Performance Analysis:

Since inception through March 31, 2007, Shamrock's IRR has trailed its benchmark by 4.91%. The portfolio returned -3.1% during the quarter and underperformed the Russell 2000 Index. iPass, the portfolio's largest investment, was the primary performance detractor to-date. The portfolio's position in Modine, which now faces slower growth and rising raw material cost risks, also negatively impacted return. Shamrock still believes in the outlook of iPass and is spending large amount of time and resources working with the company to turn around performance.

CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
HYBRID INVESTMENTS MONITORING REPORT
Shamrock Capital
First Quarter 2007

Performance Analysis (Continued):

Annualized IRR (%) Since Inception (December 2004)	
Shamrock	9.72
Russell 2000	14.63
Excess Return	*-4.91*

Calendar Year Performance (%) As of 3/31/2007		
	YTD	**2006**
Shamrock	-3.10	1.49
Russell 2000	1.95	18.35
Excess Return	*-5.05*	*-16.86*

CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
HYBRID INVESTMENTS MONITORING REPORT
Blum Capital
First Quarter 2007

Investment Type: U.S. Corporate Governance Fund

Inception Date: July 2005

Capital Commitment: $125 million

	Quarter	Since Inception
Contributed Capital:	$ 10.8 million	$ 118.3 million
Distributed Capital:	$ 0.0 million	$ 3.4 million

Market Value (3/31/07): $ 125.2 million

Investment Strategy:

Blum believes that its private equity investment approach executed in the small- and mid-cap sectors of the public market results in superior returns for long-term investors. Blum seeks to find undervalued "good businesses", where it can substantially improve shareholder value by working in partnership with management and Boards of Directors to implement value-enhancing strategies. Blum chooses to look at companies with a 10% cash-on-cash yield combined with a projected 10% growth rate in the free cash flow. Once the criteria are met, Blum will only invest if it believes that management and the Board will be receptive to its suggestions. The benchmark for Blum is an absolute return of 8% per annum.

Summary Analysis:

Number of Investments: 21

Organization: Scott Hartman, head of marketing, left during April to pursue other interests. Lee Fishman, a private equity specialist from Goldman Sachs, joined Blum as Vice President.

Philosophy/Process: No material changes.

Performance Analysis:

Since inception through March 31, 2007, Blum's IRR has outperformed its benchmark, the Russell 2000 Index by 1.27% on an annualized basis. The portfolio also beat its benchmark during the quarter and returned 2.52%. Career Education, the largest position in the portfolio, was the primary performance contributor as the company has now been cleared from regulatory investigations and starts to improve operating efficiencies. During the quarter, Blum decided to reduce its Nu Skin holdings in half, primarily because the company's management has been slow to adopt changes that are critical to its turnaround plan. Blum will use the proceeds to fund other new investment opportunities.

Performance Analysis (Continued):

Annualized IRR (%) Since Inception (July 2005)	
Blum	8.87
Russell 2000	7.60
Excess Return	*1.27*

Calendar Year Performance (%) As of 3/31/2007		
	YTD	**2006**
Blum	2.52	9.46
Russell 2000	1.95	18.35
Excess Return	*0.57*	*-8.89*

CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
HYBRID INVESTMENTS MONITORING REPORT
New Mountain Vantage
First Quarter 2007

Investment Type: U.S. Corporate Governance Fund

Inception Date: January 2006

Capital Commitment: $200 million

	Quarter	Since Inception
Contributed Capital:	$ 0.0 million	$ 200.0 million
Distributed Capital:	$ 0.0 million	$ 0.0 million

Market Value (3/31/07): $ 215.4 million

Investment Strategy:

New Mountain's strategy is to proactively identify deeply undervalued companies through intensive research and then to unlock the value of these companies by working with management to improve the businesses for the benefit of all shareholders. New Mountain will pursue this value-added strategy for the many situations where a negotiated purchase of control of a public company is not available, but where New Mountain can acquire public shares in the open market and use its style of active ownership to increase the value of the firm's stock. They begin with a "Top-Down" approach, looking at sectors that have stable demands with high growth potentials. They seek companies where barriers to new entry are high, companies have pricing power, and where free cash flow generation characteristics are strong.

Summary Analysis:

Number of Investments: 22
Organization: No changes to report for this period.

Philosophy/Process: No material changes.

Performance Analysis:

New Mountain had a sold quarter as National Fuel Company, which is the largest holding, had a stellar quarter. The manager was slightly impacted by the subprime mortgage sell-off as one of its holdings, Indymac, stock price fall during the quarter. Overall, New Mountain is diversified and is satisfied with the make-up of the portfolio. The manager inception date was less than two years ago, and is still in the initial activist stage with most of the companies they invested in. Since inception through March 31, 2007, New Mountain's IRR has underperformed its benchmark, the S&P 500 Index, by 3.10%. The portfolio did produce a return of 0.79% during the quarter and outperformed the S&P 500 Index.

Performance Analysis (Continued):

Annualized IRR (%) Since Inception (January 2006)	
New Mountain	6.47
S&P 500	9.57
Excess Return	*-3.10*

Calendar Year Performance (%) As of 3/31/2007	**YTD**	**2006**
New Moutain	0.79	
S&P 500	0.64	
Excess Return	*0.15*	*N.A*

CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
HYBRID INVESTMENTS MONITORING REPORT
Breeden Partners
First Quarter 2007

Investment Type: U.S. Corporate Governance Fund

Inception Date: June 2006

Capital Commitment: $400 million

	Quarter	Since Inception
Contributed Capital:	$ 110.7 million	$ 338.4 million
Distributed Capital:	$ 0.0 million	$ 32.2 million

Market Value (3/31/07): $ 329.7 million

Investment Strategy:

Breeden's philosophy is to invest in US companies that are experiencing underperformance and diminished valuation due to correctable problem in policy and governance. The Fund will target mid-to-large-cap companies ranging from $500 million to $10 billion in market capitalization. The portfolio will be concentrated and will typically hold 8 to 12 positions. The objective of the Fund is to outperform the S&P 500 Index by 10% over the long-term.

Summary Analysis:

Number of Investments: 9
Organization: Breeden brought in two new analysts during the quarter.

Philosophy/Process: No material changes.

Performance Analysis:

Breeden had a sold quarter as they continue to build its portfolio. Applebee's, the manager's largest position, had a sold quarter as Breeden was invited to take two seats on the board. While there is still work to be done with Applebee's Breeden is happy with the progress of the company. The remaining companies also produced satisfactory returns but Breeden is still meeting with most management groups and giving their suggestions. This portfolio is also still relatively new and Breeden is happy with its current progress. Since inception through March 31, 2007, Breeden's IRR has outperformed its benchmark, the S&P 500 Index, by 8.45%. The portfolio also beat the benchmark during the quarter and returned 2.85%. This manager has only been funded for around a year and current performance should not be used as indicator of future performance.

Performance Analysis (continued):

Annualized IRR (%) Since Inception (June 2006)	
Breeden Partners	20.93
S&P 500	12.48
Excess Return	*8.45*

Calendar Year Performance (%) As of 3/31/2007	**YTD**	**2006**
Breeden Partners	2.85	
S&P 500	0.64	
Excess Return	*2.21*	*N.A*

CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
HYBRID INVESTMENTS MONITORING REPORT
Governance for Owners
First Quarter 2007

Investment Type: European Corporate Governance Fund

Inception Date: October 2006

Capital Commitment: $200 million

	Quarter	Since Inception
Contributed Capital:	$ 0.0 million	$ 199.6 million
Distributed Capital:	$ 0.0 million	$ 0.0 million

Market Value (3/31/07): $ 224.4 million

Investment Strategy:

GO's philosophy is to invest in fundamentally sound quoted companies in Europe where shares are trading at a discount due to correctable management or strategic issues. GO has a performance objective of five percentage points over the return of the FTSE Developed Europe Total Return Index on an annualized basis. The fund is expected to have 10 to 15 equity positions when it is fully invested with futures used to equitize any meaningful cash balances.

Summary Analysis:

Number of Investments: 7
Organization: Linda Scott was appointed to handle U.S. operations. She will be based in New York.

Philosophy/Process: No material changes.

Performance Analysis:

Since inception through March 31, 2007, Governance for Owners' IRR outperformed its benchmark, the FTSE All World Europe Index, by 4.61%. The manager's portfolio diversifies across sectors such as hotels, newpapers, retail, and broadcasting. This is the second quarter of performance and the portfolio sharply rebounded from the slight under-performance seen in the first quarter. Strong results and potential M&A activity from large holdings such as Accor and Wegener positively contributed to performance for the quarter.

Performance Analysis (Continued):

Annualized IRR (%) Since Inception (October 2006)	
Breeden Partners	13.67
FTSE All World Europe Index	9.06
Excess Return	*4.61*

Calendar Year Performance (%) As of 3/31/2007	**YTD**	**2006**
Breeden Partners	10.17	
FTSE All World Europe	3.76	
Excess Return	*6.41*	*N.A*